STATEMENT: LOUISVILLE METRO COUNCIL SHOULD DELAY VOTE, PROVIDE FOR PUBLIC FEEDBACK, AND ANSWER IMPORTANT QUESTIONS BEFORE SUBSIDIZING PRIVATE SOCCER STADIUM

For Immediate Release

Last week, the Mayor of Louisville requested that the city’s Metro Council vote on a $30 million package to subsidize a proposed stadium project for the Louisville Football Club, which plays in the United Soccer League. Taxpayer money, in the form of bonded debt, will be used to purchase approximately 40 acres of land, a portion of which will house the team’s stadium. Initial estimates project that the city will lose more than $26 million on its investment.

Most experts agree that these kinds of investments are an unwise use of taxpayer dollars. An American Economic Association survey found that 86% of economists either "agree" or "strongly agree" that, "Local and state governments in the U.S. should eliminate subsidies to professional sports franchises."

Though we are open to being convinced otherwise, we at Pegasus Institute have seen no evidence that indicates that purchasing this land with taxpayer money, by taking on new debt, is a good investment for the city of Louisville. We urge Metro Council to take more time in considering this matter, provide ample opportunity for public comment, and get much needed answers to important questions.

Among the many questions that should be addressed are the following:

1. In 2016, a member of Metro Council reported that the city of Louisville had a road repair deficit of $112 million, and a sidewalk repair deficit of $86 million and that bonds must be issued to pay to maintain the cities road repair needs. If the city is incapable of fulfilling the basic functions of city government, and has already been forced to resort to using bonds for basic infrastructure needs, why is it appropriate for Louisville to bond additional debt to subsidize this project?
2. With Kentucky’s pension system in a state of crisis, needed reforms forthcoming, and cost changes to local governments undetermined, what gives the Council confidence that the city’s fiscal condition is strong enough to subsidize this project before pension reform is completed?
3. After last week’s revelations related to the University of Louisville’s basketball program, the chief tenant of the KFC Yum Center, and the future of the program in question, what gives the Council confidence that the city’s fiscal condition is strong enough to subsidize this project before this situation is resolved?
4. Subsidized professional sports stadiums are rarely able to recoup the initial costs to tax payers. The total cost of the bonded debt will be approximately $41 million to taxpayers, and $14.5 million will be recovered in leasing and other fees. Optimistically, this project is expected to lose more than $26 million for Louisville taxpayers alone, not including commitments from the state. Why is it justifiable for the people of Louisville to assume this loss?
5. Similarly, the economic justification for a public expense is that it provides a “public good.” What are the ways that this project provides a “public good”?
6. The city is expected to pay $25 million for approximately 40 acres of land. Officials have noted that this land is unused and would be expected to remain unused in the absence of this project. What measures, if any, has the city taken to ensure that it is paying the appropriate market value of this unused land? Will the details of these examinations be made available to public prior to any vote being taken?
7. If the environmental clean-up exceeds $5 million, will Louisville taxpayers be responsible for these additional costs?
8. What factors contributed to the Butchertown site being chosen over the others that were considered? Would this investment of taxpayer money be better suited to a more economically distressed part of the city?
9. Central to the city’s ability to recoup a minor percentage of its investment is a plan for two hotels and office space to be built on the land. Are there existing commitments from any organizations that can ensure that these additional projects will be completed?
10. By what year does the Louisville FC anticipate that it will be in a financial position to apply for MLS membership and pay the franchising fees in excess of $150 million? Would the owners be willing to accept a limitation that the city of Louisville will never be asked to subsidize this franchise fee?

11. If the additional private funds for the stadium project are not secured, what are the city’s plans for the land? What is the potential economic impact/loss to Louisville expected to be in this scenario?

This is not an exhaustive list. Several additional and important questions should be answered before Metro Council votes on this project. We urge them to delay and provide ample time for these to be explored.
Responses to questions from Pegasus Institute

1. It is appropriate for Louisville to issue bonds for this project because the project represents an opportunity to increase our wage and property tax base by growing city revenues. Additionally, the project leverages the return of state taxes to our jurisdiction through the TIF along with a $14.5 million repayment of the borrowed amount. The city's credit rating speaks to the positive outlook regarding our financial structure, economy, and fiscal management. The city received affirmed credit ratings with stable outlooks from Fitch (AAA), Moody's (Aa1), and S&P (AA+) after being informed of the potential economic development bond for the stadium district.

2. With regard to pensions and any associated uncertainties, the Metro Council is continually briefed on annual pension expense and balance sheet related liabilities through multiple committees and channels, including an Ad Hoc Committee in April, 2016, an 8-week budget adoption process annually, and the opportunity to seek outside opinions from entities such as the Kentucky League of Cities (just last month). The Council and the Mayor have to continue to make investment decisions for the community even with uncertainty—it is why the Council has repeatedly passed capital budgets that require the use of debt to fund investments and projects for the community.

3. The Arena Authority is moving forward with re-financing its debt. Their plan was positively received at KEDFA last week. The effects of the UofL situation will likely not be known for a while. We believe that the management at the Authority and its financial team can structure the debt and manage the schedule to address any short term revenue issues due to UofL's potential situation.

4. The City's participation will end up being approximately $15.5M, not $26M depending on interest rate obtained. The way it is structured our $15.5M participation will leverage state funds and approximately $130M in private funds. We believe these figures justify the expense and will further spur other growth in the contiguous areas from which the City will also benefit.
5. The “public good” is leveraging $130M in private dollars and additional state dollars to create a project that is estimated to produce over 1400 construction jobs and over 1700 jobs upon completion of the site. This project also creates an amenity for the citizens that assists in talent attraction and retention. It allows us to pursue an MLS franchise. It continues to spur growth in our City and increases our tax base that puts the City in a better position to address the City’s obligations and community needs.

6. The City has commissioned a formal appraisal of the properties. The appraisal is expected to be completed and delivered by the end of this work week (10/6). The appraiser has verbally informed us that the parcels sought to be purchased have been valued at $25 million dollars.

7. No. The City’s participation is capped at $30M in project costs. As a point of clarification, the $5 million refers to public infrastructure costs, not environmental costs.

8. Factors included:
   a. Close to urban core;
   b. Walkable from downtown as necessitated by the MLS and recommended by the CSL study;
   c. In an area that is growing and is likely to catalyze further investment;
   d. Location is close to NuLu and Butchertown, Botanica, across from pedestrian bridge, Waterfront Park and easily accessible to tourists;
   e. Creates a “stadium district” where Slugger Field, soccer, and the Yum Center are all in the same line of sight and walkable to each other;
   f. Site was big enough to accommodate not only stadium but also necessary ancillary development;
   g. Project was able to obtain site control of this location.

9. The LCFC ownership group is currently negotiating with a potential anchor tenant who desires to build an office building with a significant amount of square footage. The LCFC ownership group has also participated in discussions with a hotel developer to construct a hotel to support the office tower and the environs and with other businesses to locate in the new office
tower. The LCFC ownership group has received many inquiries from businesses about potentially locating on this site.

10. The prospects of entry to the MLS depend on the success of building a stadium, filling it, having a highly competitive team and a subsequent plan to expand the stadium to 20,000 seats. Once this is achieved, application for MLS for membership is possible (earliest likelihood would be 2021 or 2022). This application would require bringing on new investors to raise the necessary funds for the entry fee and the stadium expansion. LCFC has no intention of asking the city to subsidize the entry fee to the MLS.

11. Land would likely be a part of some type of RFP/competitive solicitation where City will review submissions for development and choose the most advantageous. The ultimate uses of the land will determine the development potential. The City would expect to receive the value of the land back as part of that process.