Florida TaxWatch

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FLORIDA TAXWATCH LOOKS AT THE TAMPA BAY RAYS' BALLPARK PROPOSAL

April 2024

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Dear Fellow Taxpayer,

America's love affair with baseball began more than 175 years ago, when a group of New York businessmen created the New York Knickerbocker Baseball Club and codified a set of rules that would form the basis for modern baseball. The Knickerbockers played the first official baseball game in 1846 against a team of cricket players, launching a unique American tradition. There are few things more enjoyable than sitting in a ballpark on a warm, sunny day, with a hot dog in one hand and a cold beverage in the other, watching your favorite team. This is what makes baseball "America's Pastime."

Major League Baseball at Tropicana Field is scheduled to end after the 2027 season and discussions between the Rays and local officials to build a new ballpark are underway. Under the current proposal, the City of St. Petersburg and Pinellas County would provide about one-half of the estimated $1.3 billion cost to build the new ballpark.

State and local governments providing hundreds of millions of dollars in direct and indirect subsidies to build professional sports facilities is part of a long trend. These new facilities increase the value of the team and the wealth of the private team owners, but the critical question asked by the taxpayers is "does the use of public funds for a new ballpark make sense for the host community?"

Florida TaxWatch undertakes this independent research at the request of City of St. Petersburg Councilwoman Lisset Hanewicz. It should be expressly clear and understood that Florida TaxWatch is drawing no conclusions whether the proposed ballpark deal is good or bad; rather, Florida TaxWatch is identifying those questions to be considered by local officials in determining whether the proposed ballpark deal is in the best interest of taxpayers in the Tampa Bay area, and of baseball fans everywhere.

We look forward to presenting and discussing the results of our research with City and County officials as they face this difficult decision.

Sincerely,

The Hon. Jeff Kottkamp, Esq.
Executive VP & General Counsel,
Acting President & Chief Executive Officer

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Introduction

The Tampa Bay area has a rich professional baseball history, beginning in 1913 when the Chicago Cubs moved their Spring Training operation from New Orleans to Tampa. Tampa and St. Petersburg have hosted teams for spring training for most of the past century. After almost 30 years of trying to get an expansion franchise or trying to convince an existing major league team to relocate to the Tampa Bay area, an ownership group was approved in March 1995. The new team, named the Tampa Bay Devil Rays, began play in the 1998 Major League Baseball season.

Aerial view of Tropicana Field—St. Petersburg, Florida.

In September 2023, the City of St. Petersburg and the Tampa Bay Rays announced plans for a new $1.3 billion, 30,000 seat ballpark on the 86-acre site where the Rays' home ballpark, Tropicana Field, currently sits, as part of the Historic Gas Plant District. The new ballpark will be surrounded by almost eight million square feet of mixed-use development (e.g., hotels, restaurants, residences, etc.) that will include an African-American museum of history.[1] Pinellas County ("County") and the City of St. Petersburg ("City") are expected to pay roughly one-half of the ballpark's costs, with the County pledging its share from its tourist development (bed) tax and the City pledging its share from the sale of bonds. Opponents of the proposed ballpark deal question whether this is a good deal overall for the City and County, and whether this is the best use of limited local funds, given other pressing needs of the community. Florida TaxWatch undertakes this independent research not to draw conclusions whether the proposed ballpark deal is good or bad, but to identify those questions that must be considered by local officials to make an informed decision regarding the proposed new ballpark. Our interest, as in all our research, is to make sure the interests of the taxpayers are well-served.

What is in the Proposed Ballpark Deal?

The Rays-Hines ownership group ("Rays' ownership group") has proposed a plan to redevelop Tropicana Field and the surrounding 65-acre Historic Gas Plant District. In addition to a new ballpark, the plan includes more affordable housing, more outdoor space, and more entertainment venues.

New Ballpark Project

The "anchor" of the proposed redevelopment of the Historic Gas Plant District will be a new covered, enclosed, air-conditioned ballpark with a capacity for baseball of 30,000 and a capacity for special events (e.g., concerts, etc.) of 35,000. The ballpark will be located on 17-20 acres in the southeast portion, and approximately two acres in the northwest portion, of the Historic Gas Plant District. The County will retain ownership of the new ballpark and will lease the site and all improvements located on the site to the City.

The cost of the new ballpark project is estimated at $1.3 billion and will be shared by the City (estimated at $287.5 million), the County (estimated at $312.5 million), and the Rays' ownership group. The Rays' ownership group's portion of the project cost will be the amount necessary to complete the new ballpark project, minus the City's and County's contributions (including responsibility for all cost overruns).[2]

The City will fund its portion of the costs from net proceeds from the sale of tax-exempt revenue bonds and from Intown Community Redevelopment Agency (CRA) tax increment revenues. The County will fund its portion of the project costs from tourist development tax revenues and from Intown CRA tax increment revenues. The City will issue debt for all or for a portion of the County's contribution amount.

1 FOX 13 News Staff, "Rays Announce Plans for New $1.3 Billion Stadium in St. Petersburg" 'Our Rays are Here to Stay,' September 19, 2023.
2 "New Stadium Project – Outline of Future Project Agreements."

The Rays' ownership group will lease the new ballpark for a term of 30 years, with the option to extend for two additional five-year periods. The Rays' ownership group will be responsible for the management, operation, and maintenance of the new ballpark (including all parking) and will reimburse the City $400,000 annually to cover the costs of event day traffic management. The City will be responsible for event day traffic management that exceeds this amount. The Rays' ownership group will be responsible for reimbursing the City for costs incurred by the City Police Department for providing event security. Beginning in year six of the agreement, the Rays' ownership group will pay the County an annual $1,000,000 license fee.

Key Terms of the Proposed Deal:

- $1.3B total cost: City $287.5M, County $312.5M, Rays remainder plus overruns
- 30-year lease with two 5-year options
- Rays retain all stadium revenues
- City and County each get a suite; Rays provide 5,000 annual tickets for low-income families
- City pays $130M for infrastructure, receives annual rent from Rays

The Rays' ownership group will be responsible for the payment of all applicable taxes and fees levied on the use of the new ballpark, including sales tax, tangible personal property tax, income tax, and stormwater fees. The new ballpark will not be subject to ad valorem taxes; however, should the County no longer be exempt from ad valorem taxation, the Rays' ownership group will be responsible for any and all ad valorem taxes levied on the new ballpark.

The Rays' ownership group will retain all revenues generated by the new ballpark. This includes revenues from ticket sales, broadcasting rights, advertising, parking, concessions, hospitality suites, merchandise, and sponsorships agreements. The Rays' ownership group will also have exclusive rights to sell naming rights for the new ballpark and to retain any revenues resulting from the sale of ballpark naming rights.

Both the City and County will have exclusive use of a suite (including complimentary tickets for each seat in the suite and parking passes) for all events conducted in the ballpark. The Rays will also provide a minimum of 5,000 tickets (annually) to be distributed to low-income families in Pinellas County.

Community Benefits

The 86-acre Historic Gas Plant District site was the City's second Black neighborhood. A once-thriving community, the Gas Plant District was dismantled by the introduction of Interstate 75 in the 1970s and the construction of the current Rays' ballpark in the 1980s. The Historic Gas Plant District is part of the Intown West CRA Dependent Special District, which was created to capitalize on the development of Tropicana Field and the eventual award of a Major League Baseball franchise. The future redevelopment plan envisions the District becoming a "key gateway area and a high activity node related to stadium activities," and addresses issues such as the lack of development focus, physical deterioration of structures and properties, poor visual identity, and lack of a unified architectural theme or development pattern.[3] A Community Advisory Board (CAB) has been formed by the Rays' ownership group to oversee the implementation of the community benefits and to serve as an "accountability tool" to ensure a healthy dialogue with the community.

The Rays' ownership group will be authorized to purchase and develop the Historic Gas Plant District in multiple phases, consistent with the order and time specified in the development order. Investment in the proposed African-American Museum will be given priority during the initial development phase. The purchase price of the property will be $105.3 million, which is below market value. Payments will be allocated to each phase and to each parcel, as specified in the development agreement.

Housing

The Rays' ownership group's project proposal contemplates 5,728 residential units on-site (4,869 market-rate units and 859 affordable/workforce housing units). The ownership group will commit an additional $15 million to support an estimated 600 additional housing units through various home ownership and rental assistance programs in South St. Petersburg. The Rays' ownership group's proposal includes 600 market-rate senior living units on-site, which are expected to be spread among several stand-alone, mid-rise buildings on the site. A summary of housing units included in the ownership group's proposal is provided in Table 1.[4]

3 City of St. Petersburg, "Community Redevelopment Areas," retrieved from https://www.stpete.org/business/economic_development/community_redevelopment_areas.php, February 29, 2024.
4 Hines and Rays, "Q&A for the Historic Gas Plant District," retrieved from https://cms5.revize.com/revize/stpete/Residents/Current%20Projects/Gas%20Plant/Hines%20Rays%20HGP%20Presentation%20QandA.pdf, February 29, 2024.

Table 1.

Total Housing Units	
Market Rate Residential Units	4,869
Affordable/Workforce Residential Units	859
Market Rate Senior Living Units	600
Total	6,328

The Rays' ownership group anticipates using federal HOME funds[5], state SHIP funds[6], South St. Petersburg Community Redevelopment Agency funds[7], and Penny for Pinellas funds[8] to support the on-site affordable housing.

Ancillary Development

Excluding the new ballpark, the proposed redevelopment of the Historic Gas Plant Property will include more than 9,000,000 gross square feet of ancillary development (see Table 2.). This will re-energize and create a more vibrant Historic Gas Plant District by providing convenient access to essential amenities and fostering improved social interactions.

Table 2.

Program	Rentable Square Feet	Gross Square Feet
Civic	50,000	50,000
Entertainment	50,000	50,000
Hotel	560,000	800,000
Office	1,400,000	1,555,556
Multifamily	4,504,000	5,630,000
Seniors	480,000	738,462
Retail	320,000	400,000
Total	7,364,000	9,224,018

Source: Hines and Rays, Q&A for the Historic Gas Plant District

Infrastructure

To support the redevelopment of the Historic Gas Plant District, the City will pay $130 million for eligible infrastructure costs, which will be broken down into four phases, as shown in Table 3.

Table 3.

Infrastructure Payment Schedule

Phase	A	B	C	D
Year	2024	2028	2032	2035
Amount	$40,000,000	$40,000,000	$20,000,000	430,000,000

Source: Term Sheet - Historic Gas Plant District

Minority-Owned, Women-Owned, and Small Businesses

The Rays' ownership group will be required to contract with City-certified minority-owned, women-owned, and small businesses to provide materials or services in an amount of at least ten percent of the costs of project construction, to be aggregated over each of the four phases of development. Although ten percent is the minimum, the Rays' ownership group will use "good faith" to reach 30 percent.

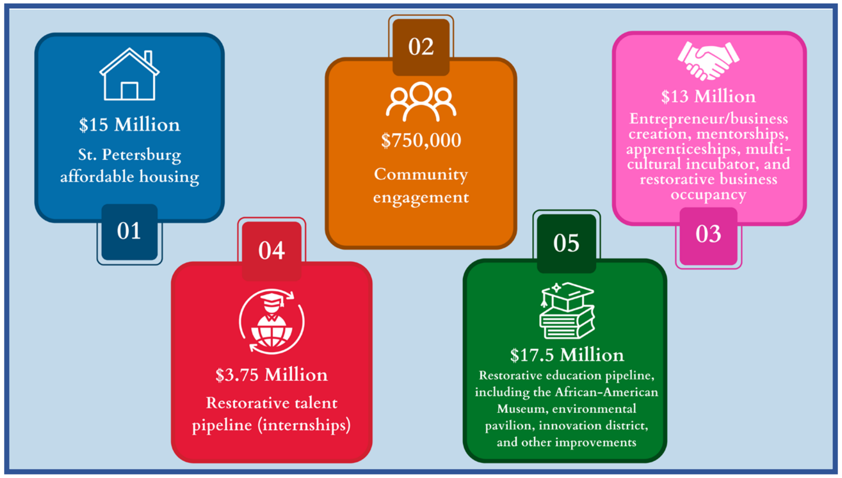
Open Space

The Rays' ownership group's project proposal includes 14 acres of public open space, anchored by the Booker Creek Greenway, and which includes the game-day plaza, memorial park, mural arts promenade, community gardens, an enhanced pedestrian bridge over I-75 to Campbell Park, an underpass plaza along 16th Street, and enhancements to the Pinellas Trail. The project anticipates a significant restoration of the Booker Creek water course and associated wetlands. In the short term, the ownership group will be responsible for the installation of native vegetation along the creek. Once the plants have matured, however, the ownership group anticipates transferring the responsibility for maintaining the vegetation within the established right-of-way to the City. The ownership group will be responsible for maintaining areas outside the established right-of-way.[9]

5 The HOME Investment Partnerships Program (HOME) is the largest federal block grant to state and local governments designed exclusively to create affordable housing for low-income households.
6 Florida's State Housing Initiatives Partnership (SHIP) Program provides funds to local governments as an incentive to create partnerships that produce and preserve affordable homeownership and multifamily housing. The program was designed to serve the very low-, low-, and moderate-income families.
7 The South St. Petersburg Community Redevelopment Area (CRA) was established to promote reinvestment in housing and neighborhoods, commercial corridors, business development, and education and workforce development within the 7.4 square mile South St. Petersburg CRA.
8 The Penny for Pinellas is a voter-approved, one-cent sales tax used to pay for projects to improve Pinellas County infrastructure.
9 Supra, see footnote 4.

Intentional Equity

The Rays' ownership group will be responsible for making the following additional expenditures, totaling $50 million over the course of the project, to benefit the Historic Gas Plant Community:[10]



Projected Economic and Fiscal Impacts

Pinellas County is basing its support for publicly subsidizing the proposed new ballpark in large part on a study[11] it commissioned by Victus Advisors ("Victus"), a San Diego, California based market, financial, and economic analysis firm that specializes in the sports, entertainment, and event facilities industry. Victus utilized the IMPLAN economic model[12] to estimate the fiscal and economic impacts of the proposed stadium project and surrounding ancillary development within the Historic Gas Plant District. The first step in this process is to estimate the gross direct spending activity that results from the one-time construction and ongoing operations of the proposed new stadium. Gross direct spending includes both one-time construction expenditures (e.g., supplies, materials, labor costs, service fees, etc.) as well as the costs of ongoing ballpark operations (e.g., ticket sales, concessions, merchandise, etc.) and ancillary/visitor spending (rent and lodging, retail, etc.).

Once done, the incremental, or "net", direct economic impacts that could occur within the County are estimated. This assumes that, absent the presence of the new stadium and ancillary development, the sports and entertainment spending of residents within Pinellas County would be displaced (spent somewhere else within the county). The net impacts will, therefore, only include estimated expenditures by visitors.

Victus then applied a set of "multipliers" specific to Pinellas County to estimate the following economic impacts:

- Total output (direct, indirect, and induced spending);
- Employment (full- and part-time jobs);
- Labor income (salaries and wages); and
- Tax revenues (based upon total output).

The City of St. Petersburg has engaged the real estate/development firm of HR&A Advisors, Inc., to estimate the economic and fiscal benefits of developing the Historic Gas Plant District. HR&A uses the Victus analysis for its figures for the new ballpark's economic output, tax revenues, and construction impacts.

Economic and Fiscal Impacts — Ballpark Construction

Victus estimates that the construction of a new Rays ballpark "could" generate net direct spending (e.g., the portion of total construction that occurs with local contractors, labor, service providers, etc.) within Pinellas County of more than $252 million. This level of spending would be expected to generate the following net new economic and fiscal impacts within Pinellas County during the construction of the ballpark:

- Nearly $443 million in total economic output;
- More than 4,500 construction-related jobs;
- More than $417 million in wages (averaging $92,658); and
- More than $665,000 in County sales tax.[13]

Economic and Fiscal Impacts — Ballpark Operations

Victus estimates that a new Rays ballpark could generate approximately $298 million in gross direct spending in a "stabilized year of operations" (year 5 and beyond). This includes all spending for events at the ballpark, regardless of the source of the spending. When adjusted for displacement, Victus estimates that

10 "Term Sheet (Historic Gas Plant District)."
11 Victus Advisors, "Economic & Social Impact Analysis for a Potential New Rays Ballpark in Pinellas County, Florida," February 6, 2023.
12 IMPLAN is an industry leading software program to estimate economic development projects.
13 Victus Advisors, "Economic & Social Impact Analysis for a Potential New Rays Ballpark in Pinellas County, Florida," February 6, 2023.

approximately 73 percent ($217 million in a stabilized year) of the gross direct spending would be "net" or new to Pinellas County.

Victus estimates that a new Rays ballpark could generate the following annual net new economic impacts within Pinellas County (in a stabilized year of operations):

- More than $465 million in total annual direct, indirect, and induced spending;
- More than 15,200 annual jobs;
- Nearly $387 million in labor income; and
- More than 31,000 annual room lodging nights.

Victus also estimated that operations of the new ballpark could generate more than $3.5 million in incremental County sales tax and tourist development (bed) tax revenues in a stabilized year of operations (year 5 or beyond).[14]

Economic and Fiscal Impacts — Ancillary Development

The Rays' ownership team has proposed nearly 7.3 million square feet of ancillary development on the Historic Gas Plant site, surrounding the new ballpark. This includes $5.2 billion of multi-family residences, senior housing, hotels and conference centers, office, retail, entertainment, and food and beverage establishments.

Victus estimates that the proposed ancillary development surrounding the ballpark could, during the construction periods, generate the following economic and fiscal impacts in Pinellas County:

- Almost $1.1 billion in net new direct spending;
- Nearly $1.8 billion in total economic output;
- Approximately 22,180 jobs;
- More than $1.5 billion in wages;
- More than $2.4 million in County sales taxes.[15]

Victus estimates that the proposed ancillary development surrounding the ballpark could, at full build-out, generate the following economic and fiscal impacts in Pinellas County:

- Approximately $104 million in annual net new direct spending;
- Nearly $176 million in total annual economic output;
- Approximately 2,570 annual jobs;
- Almost $189 million in annual wages; and
- More than $9.4 million in net new annual County tax revenues.[16]

Combined 30-Year Economic and Fiscal Impacts (Summary)

Over the 30-year period of the lease, Victus estimates that construction and operation of a new ballpark for the Rays and the ancillary development surrounding the ballpark could generate the following economic/fiscal impacts (net present value)[17] within Pinellas County:

- $6.2 billion in net new direct spending;
- $11.9 billion of total economic output;
- Up to 17,782 sustainable annual jobs;
- $10.6 billion in labor income; and
- $185 million in total incremental County tax collections.[18]

HR&A Advisors estimated that, over the 30-year term of the lease, the new ballpark and ancillary development will generate:

- More than $20 billion in regional economic output;
- $9.79 billion in direct spending;
- More than 32,000 jobs across the project's buildout;
- $2.14 billion in new tax revenue for local governments and taxing authorities; and
- $50 million in community benefits.[19]

Social Impacts

Victus engaged representatives from 18 stakeholder organizations to better understand the potential social impacts of a new Rays ballpark. Recurring themes across these groups include:

- The "branding" associated with having a major league baseball team has regional and national value;
- The financial impacts to local businesses are positive;
- The ability to attend a major league baseball game is a positive addition to the entertainment mix; and
- Success by the Rays translates into increased community pride.[20]

14 Ibid.
15 Ibid.
16 Ibid.
17 Net present value Net present value is used to determine whether or not an investment, project, or business will be profitable down the line. The NPV of an investment is the sum of all future cash flows over the investment's lifetime, discounted to the present value.
18 Supra, see footnote 11.
19 HR&A Advisors, Inc., "Historic Gas Plant District Economic & Fiscal Benefits," September 15, 2023.
20 Supra, see footnote 11.

Stakeholders expressed concern as to whether the Rays would stay in St. Petersburg. Stakeholders reported that there is a general perception that the Rays have been unwilling to fully commit to staying in Pinellas County. Making the new ballpark more of a multi-event facility that would accommodate increased community activities is expected to increase local fan engagement, improve the Rays' reputation, and reach underserved communities. The ancillary development surrounding the new ballpark is viewed as crucial to the success of the project.[21]

Questions to be Answered

The above represents Florida TaxWatch's understanding of the proposed deal to develop the Historic Gas Plant District, including the proposed new ballpark, as of mid-March 2024. Florida TaxWatch understands the fluid nature of negotiations between the Rays' ownership group and local government and community officials and acknowledges that the terms and conditions discussed in this report may change when the matter comes before the City and County for a vote. The basic questions to be asked and answered before that vote, however, should not change.

What Are the City's and County's Total Costs?

The total costs to the City and County will be greater than their estimated $600 million costs for the ballpark. When the costs[22] associated with parking garages, supporting infrastructure, and lost revenues and other opportunity costs are included, the total costs to the City and County are estimated at roughly $2.4 billion, as summarized below:

<u>City of St. Petersburg — $1.6 billion</u>

- $704 million to help pay the City's share of the cost of the new stadium and supporting infrastructure (including interest);
- $411 million in lost ad valorem (property) taxes as a result of keeping the 22-acre site in the public domain and not developed for other private interests; and
- $545 million in lost City revenue from the sale of 64 acres to the Rays' ownership team at a below market price of $105 million.

<u>Pinellas County — $809 million</u>

- $587 million to help pay the City's share of the cost of the new stadium and supporting infrastructure (including interest); and
- $222 million in lost ad valorem (property) taxes as a result of keeping the 22-acre site in the public domain and not developed for other private interests.[23]

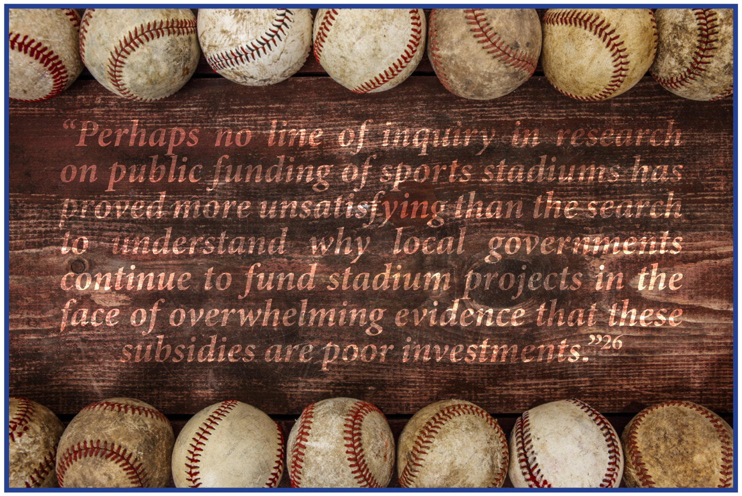
Have Other Publicly-Subsidized Stadium Deals Been Successful?

It is not uncommon for local governments to subsidize sport stadiums. Hosting a professional sports team is expected to generate economic development benefits as well as social benefits for the community. In deciding whether the Rays' stadium deal is a good one, local decisionmakers should look at the extent to which other publicly financed stadium deals have delivered on their promises.

A 2022 study looked at more than 130 studies of stadium subsidies over a period of 35 years.[24] Between 1970 and 2020, state and local governments in the U.S. and Canada devoted $33 billion in public funds to construct professional sports venues. Early studies of stadium subsidies relied on multiple regression models using data aggregated to the metropolitan area level to compare economic outcomes across urban areas with teams over time. More recent studies focused on the existence of localized economic development and quality-of-life benefits. This comprehensive review resulted in three conclusions:

1. Nearly all the empirical studies find "little to no tangible impacts" of sports teams and facilities on local economic activity, and the level of stadium subsidies typically provided far exceeds any observed economic activity.
2. There is evidence of important intangible social benefits in some circumstances, suggesting that sports teams produce positive spillovers through quality-of-life amenities.
3. Despite the consensus findings that the benefits of hosting professional sports franchises are not sufficient to justify large public subsidies, taxpayer funding for these subsidies continues to grow.[25]

21 Supra, see footnote 11.
22 An opportunity cost refers to future income that would have been earned if a particular alternative is chosen or income that would be the given up if a particular alternative is not chosen.
23 Citizens Concerned for the Best Interests of St. Petersburg and Pinellas County, "Rays/Hines Deal – Not a Home Run, A $2.4 Billion Error."
24 John Charles Bradbury, Dennis Coates, and Brad R. Humphreys, "The Impact of Professional Sports Franchises and Venues on Local Economies: A Comprehensive Survey," April 4, 2022.
25 Ibid.
26 Ibid.



Are the Rays Going to Stay in Pinellas County?

No Major League Baseball team moved until 1953, when the Boston Braves moved to Milwaukee. The next year, the St. Louis Browns moved to Baltimore, followed by the Philadelphia A's moving to Kansas City and, in 1958, the Brooklyn Dodgers moving to Los Angeles and the New York Giants moving to San Francisco.[27] Once Major League Baseball teams showed a willingness to move, other cities showed a willingness to compete (and to pay) to attract an existing team.

It was no surprise then when, in 2019, Major League Baseball approved a request from the Rays to look at the possibility of playing one-half of the team's home games in Montreal, Canada. In January 2022, Major League Baseball rejected the Rays' controversial plan to split their home schedule with the city of Montreal. This plan was, according to unnamed Rays' officials, believed to be the "best path toward increasing revenue" without permanently relocating the franchise.[28] Florida TaxWatch looked at several factors that might help to explain why the Rays would consider moving to another city, including revenues; franchise value; attendance; payroll; and performance on the field.

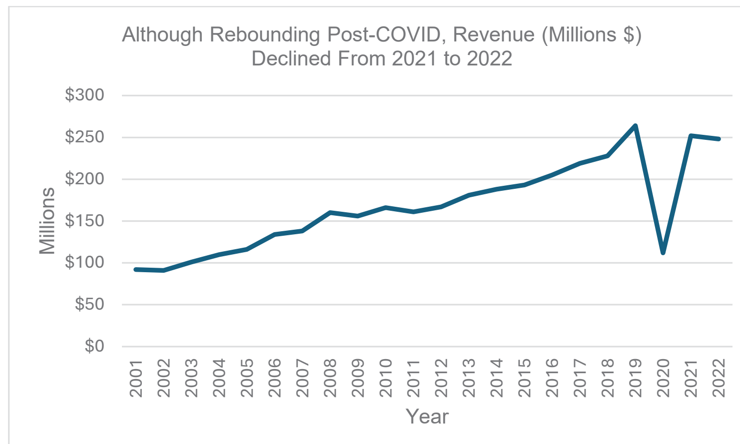
The Rays' Montreal Proposal: Commitment Concerns

In 2019, the Rays explored splitting home games with Montreal to boost revenue. Though rejected, this proposal raises concerns about the team's long-term commitment to Tampa Bay and could impact negotiations for a new publicly-funded ballpark.

Revenues

During the 2022 Major League Baseball season, the Rays generated $248 million in revenue, ranking the Rays 28th among the 30 Major League Baseball teams. Only the Miami Marlins ($238 million) and Oakland Athletics ($232 million) generated lower revenue.[29] As shown in Figure 1, revenues increased steadily from 2001 to 2019. In 2020, the COVID-19 pandemic abbreviated the 2020 Major League Baseball season and revenue for all teams decreased dramatically. Since the abbreviated 2020 season, revenue has rebounded; however, 2022 revenues were $4 million below 2021 revenues.

Figure 1.



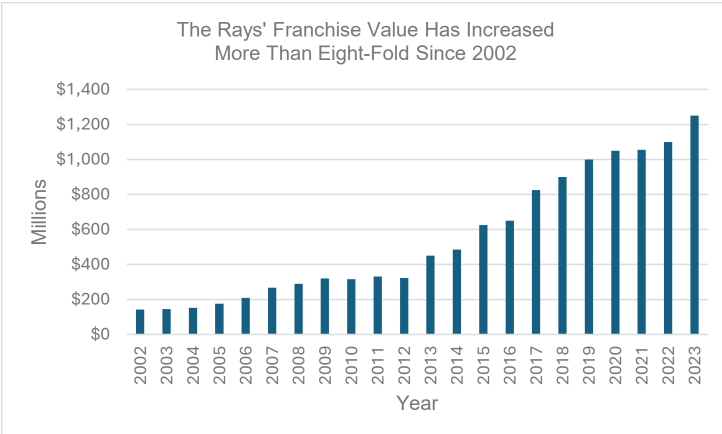
Source: Statista.com

Franchise Value

In 2023, the value of the Tampa Bay Rays' Major League Baseball franchise was $1.25 billion, ranking the Rays 26th among the 30 Major League Baseball teams. Only the Kansas City Royals ($1.2 billion), Cincinnati Reds ($1.19 billion), Oakland Athletics ($1.18 billion) and Miami Marlins ($1.0 billion) had lower franchise values. As shown in Figure 2, the franchise value of the Rays has increased steadily, from $142 million in 2002 to $1.25 billion in 2023.

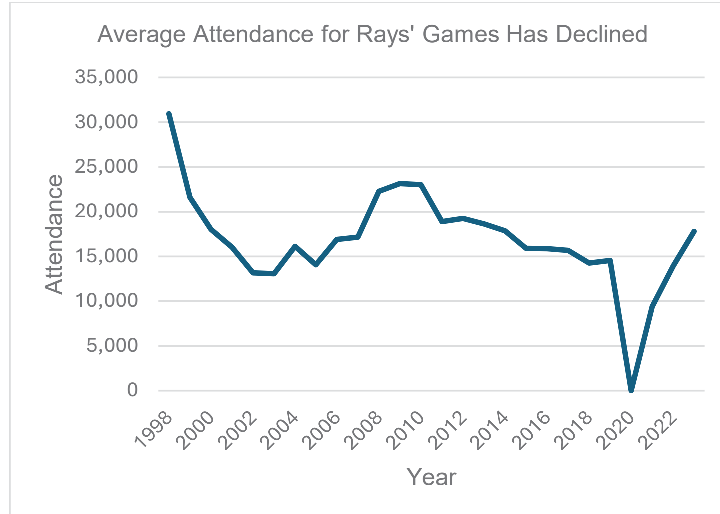
27 Andrew Zimbalist, "Stadiums as Public Investments," Econofact, retrieved from https://econofact.org/stadiums-as-public-investments, March 15, 2024.
28 Alden Gonzalez, "Tampa Bay Rays Say Split-season Plan with Montreal Rejected by MLB," ESPN, retrieved from https://www.espn.com/mlb/story/_/id/33109350/tampa-bay-rays-say-split-season-plan-montreal-rejected-mlb, March 15, 2024.
29 Statista, "Revenue of Major League Baseball Teams in the United States in 2022," retrieved from https://www.statista.com/statistics/193645/revenue-of-major-league-baseball-teams-in-2010/, March 15, 2024.

Figure 2.



Source: Statista.com

Figure 3.



Source: Baseball Almanac

Attendance

Since the Rays' first season in 1998, attendance declined steadily until 2003. Attendance then increased each year through 2008, when the Rays advanced to their first World Series (losing to the Philadelphia Phillies in five games). Attendance remained high through 2010, when the Rays again made the postseason. Despite making the postseason in 2011 and 2013, attendance began to decline again. As a result of the COVID-19 pandemic, the 2020 major league baseball season was shortened to 60 games per team.

Since then, attendance at Rays home games has returned to pre-pandemic levels but remains among the lowest in Major League Baseball (see Figure 3).

Rays' MLB Rankings (as of 2022):

- Avg. attendance: 27th out of 30 teams
  - 13,927 per game in 2022
  - Down from a peak of 30,942 in their inaugural 1998 season
- Revenue: 28th out of 30 teams
  - $248 million in 2022
  - Franchise value: 26th out of 30 teams
  - $1.25 billion in 2023
  - Steady increase from $142M in 2002

Florida TaxWatch wondered if television viewership would help explain the Rays' low attendance. In the decades since the Rays began playing, tens of thousands of people have relocated to the Tampa Bay area, either for work or retirement. With the advent of regional sports networks streaming, many of these transplants continue to follow the teams they rooted for before moving to the Tampa Bay area. All 29 U.S. Major League Baseball teams experienced an increase in television ratings during the 2023 season.[30] The regional sports networks that televise Major League Baseball games showed a plus-seven percent increase for the regular season that ended on September 30, 2023. Of the 29 U.S. teams, 16 showed gains, three were ostensibly flat, and ten showed declines.[31]

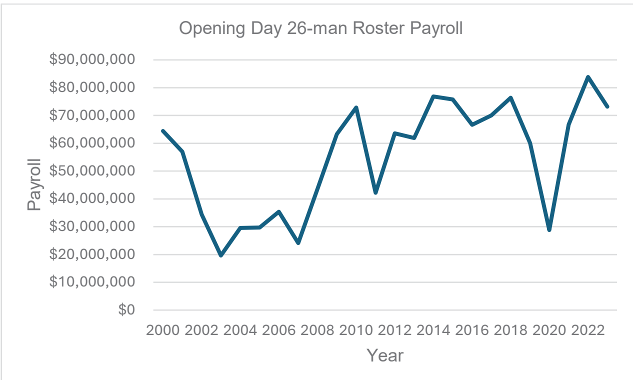
The Rays ranked ninth among the 29 U.S. teams in terms of rating point[32] increases from the 2022 to 2023 Major League Baseball seasons. Television ratings for the Rays increased from 2.55 rating points in 2022 to 3.18 rating points in 2023, an increase of 24.7 percent.[33] If television viewership negatively affected game attendance, then one would expect attendance at Rays' games to decline as television viewing increased; however, that is not the case here.

30 The Toronto Blue Jays (Canada) use a different rating system than the one used in the U.S.
31 Maury Brown, "MLB Regional Sports Networks See 7% Gain for 2023 Season," Forbes, retrieved from https://www.forbes.com/sites/maurybrown/2023/10/05/mlb-regional-sports-networks-see-7-gain-for-2023-season/?sh=363c5b119a8a, March 14, 2024.
32 A rating point is an audience measurement used in television. It represents the percentage of a base population watching a television program. The base is a given target audience in a given television region or area.
33 Supra, see footnote 31.

Payroll

The Rays' 2024 opening day payroll is $97.4 million, which ranks 27th among the 30 Major League Baseball teams. This is well below the major league average of $161.9 million, and just less than one-third of the league-leading payroll of the New York Yankees ($303.9 million).[34] As shown in Figure 4, prior to the Rays' $97.4 million 2024 payroll, the Rays' payroll ranged from a low of $19.3 million in 2003 to a high of $83.9 million in 2022.

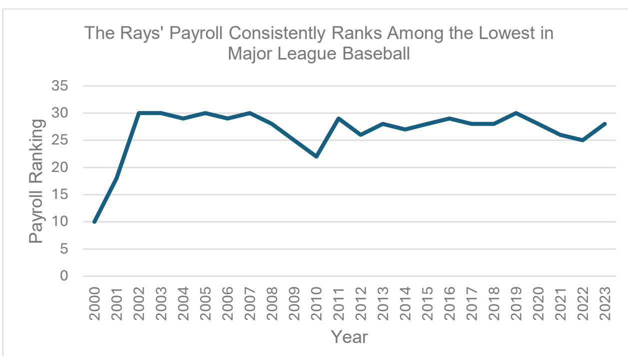
Figure 4.



Source: Spotrac MLB Team Payroll Tracker

As shown in Figure 5, the Rays' payroll has historically ranked among the lowest five of the 30 MLB teams.

Figure 5.

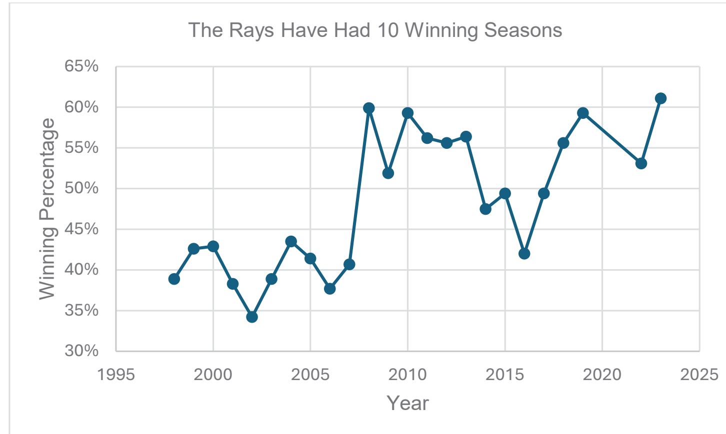


Source: Spotrac MLB Team Payroll Tracker

Performance on the Field

Figure 6 shows the Ray's winning percentage each year since the team began play. As shown in Figure 6, the Rays have had winning seasons (0.500 or better) in ten of 24 seasons.[35]

Figure 6.



Source:

Florida TaxWatch looked at the relationship between the team's performance on the field and attendance at Rays' home games. Table 4 displays Rays' winning percentage and attendance, by year, since the 1998 inaugural season. Data from the 2020 and 2021 seasons have been excluded because of the influence of COVID-19 on attendance. With an average attendance of 17,781 per game, the Tampa Bay Rays ranked 27th out of the 30 Major League Baseball teams in 2023.[36] During the Rays' first season (1998), attendance averaged 30,942. This is not surprising for a new team with a new ballpark and a new fan base. During the Rays' first (1998) Major League Baseball season, the Rays finished fifth in the American League East with a record of 63 wins and 99 losses.[37]

34

35 Data from the 2020 and 2021 seasons are excluded due to the effects of COVID-19.

36 Ballpark Digest, "2023 MLB Attendance by Average," retrieved from https://ballparkdigest.com/2023/10/24/2023-mlb-attendance-by-average/, March 16, 2024.

37 Baseball Reference, "1998 Tampa Bay Devil Rays Statistics," retrieved from https://www.baseball-reference.com/teams/TBD/1998.shtml, February 29, 2024.

Table 4.

Rays' Attendance and Winning Percentages					
Year	Win %	Attendance	Year	Win %	Attendance
1998	0.389	30,942	2010	0.593	23,025
1999	0.426	21,601	2011	0.562	18,879
2000	0.429	18,008	2012	0.556	19,255
2001	0.383	16,026	2013	0.564	18,646
2002	0.342	13,158	2014	0.475	17,858
2003	0.389	13,070	2015	0.494	15,890
2004	0.435	16,139	2016	0.420	15,879
2005	0.414	14,052	2017	0.494	15,670
2006	0.377	16,901	2018	0.556	14,258
2007	0.407	17,148	2019	0.593	14,552
2008	0.599	22,259	2022	0.531	13,927
2009	0.519	23,147	2023	0.611	17,781

Sources: ESPN, Ballpark Digest, and Baseball Reference

Is Subsidizing a New Ballpark the Best Use of Public Funds, in Light of Other Community Needs?

At issue is whether the expenditure of public funds to subsidize a new ballpark in the Historic Gas Plant District represents a better use of limited taxpayer money, especially in light of other pressing community needs. A series of "community conversations" held by St. Petersburg mayor Ken Welch identified affordable housing as the "most pressing issue" facing the City. Other issues addressed through a series of focus groups included equitable development and business opportunities; environmental protection; infrastructure and resilience; education and youth opportunities; and neighborhood health and safety.[38]

When public funds are used to pay for private investments, public entities have less money to pay for other needed services and improvements. For public entities that have historically underspent and underinvested in public facilities and services (e.g., stormwater management, sanitary sewer, etc.), the limited availability of funds makes it more expensive to repair or replace public facilities as they reach the end of their design life. This question takes on additional significance when one considers that neither the City nor the County has the money needed to fund its share of the ballpark's costs of construction and supporting infrastructure without issuing additional debt or pledging future bed tax moneys.

Is the Proposed Cost Sharing Strategy Fair and Reasonable?

The total cost of the new ballpark is estimated at $1.3 billion, with the City and County paying about 50 percent of the cost and the Rays' ownership team paying the balance. Florida TaxWatch looked at the cost sharing strategies for a number of other publicly subsidized stadiums, the results of which are shown in Table 5.[39]

Table 5.

Facility	Year Opened	City	Total Cost	Public Cost	Public Share
Little Caesars Arena	2017	Detroit, MI	$863 million	$324 million	38%
AT&T Stadium	2009	Arlington, TX	$1.2 billion	$444 million	37%
Paul Brown Stadium	2000	Cincinnati, OH	$455 million	$411 million	90%
Amway Center	2010	Orlando, FL	$480 million	$420 million	88%
US Bank Stadium	2016	Minneapolis, MN	$1.1 billion	$498 million	45%
Globe Life Field	2020	Arlington, TX	$1.2 billion	$500 million	42%
Loan Depot Park	2012	Miami, FL	$634 million	$510 million	80%
Barclays Center	2012	New York, NY	$1.0 billion	$511 million	51%
National Park	2008	Washington, D.C.	$611 million	$611 million	100%
Lucas Oil Stadium	2008	Indianapolis, IN	$720 million	$620 million	86%
Allegiant Stadium	2020	Paradise, NV	$1.9 billion	$750 million	39%
Yankee Stadium	2009	New York, NY	$2.3 billion	$1.2 billion	52%

Source: Stacker

As shown in Table 5, the public share of these 12 new stadiums ranges from 37 percent to 100 percent, with a median value of 52 percent. This means that one-half of the stadiums in Table 5 received more than 52 percent public funds and one-half received less than 52 percent public funds. In this light, the cost-sharing proposal for the new Rays' ballpark appears to be fair and reasonable. It should be noted that, for the two Florida stadium projects shown in Table 5, the public share of the total cost was 80 percent or greater.

Will the Agreement Between the City, County, and Rays Include Revenue Sharing Provisions?

Most new stadium/ballpark deals are designed to produce substantially more revenue. Most Major League Baseball ballparks are owned by public entities, and the team/franchise pays rent for the use of the facility. In some instances, the leases include provisions whereby revenues generated by the use of the ballpark (e.g., ticket sales, parking, advertising, etc.) are shared between the team/franchise and the public entities that own the ballpark. Under the

38 Daniel Figueroa, "Affordable Housing 'Not Surprisingly' Atop St. Pete Resident Concerns, Community Survey Finds," Florida Politics, retrieved from https://floridapolitics.com/archives/509742-affordable-housing-not-surprisingly-atop-st-pete-resident-concerns-community-survey-finds/, March 16, 2024.

39 Stacker, "12 Times Taxpayers Footed Big Bills for New Stadiums and Arenas," retrieved from https://stacker.com/sports/12-times-taxpayers-footed-big-bills-new-stadiums-and-arenas, March 17, 2024.

current agreement, the City receives $0.50 per ticket sold which, in light of the Rays' low attendance relative to the other Major League Baseball teams, amounts to about $640,000 a year.[40]

As Florida TaxWatch understands the proposal to build the new ballpark and redevelop the Historic Gas Plant District, there are no current plans for the Rays' ownership team to share any revenue from the new ballpark with the City or County. The Rays' ownership group will retain all revenues generated by the new ballpark. This includes revenues from ticket sales, broadcasting rights, advertising, parking, concessions, hospitality suites, merchandise, and sponsorships agreements. The Rays' ownership group will also have exclusive rights to sell naming rights for the new ballpark and to retain any revenues resulting from the sale of ballpark naming rights.

Will the Agreement Between the City, County, and Rays Include Clawback Provisions?

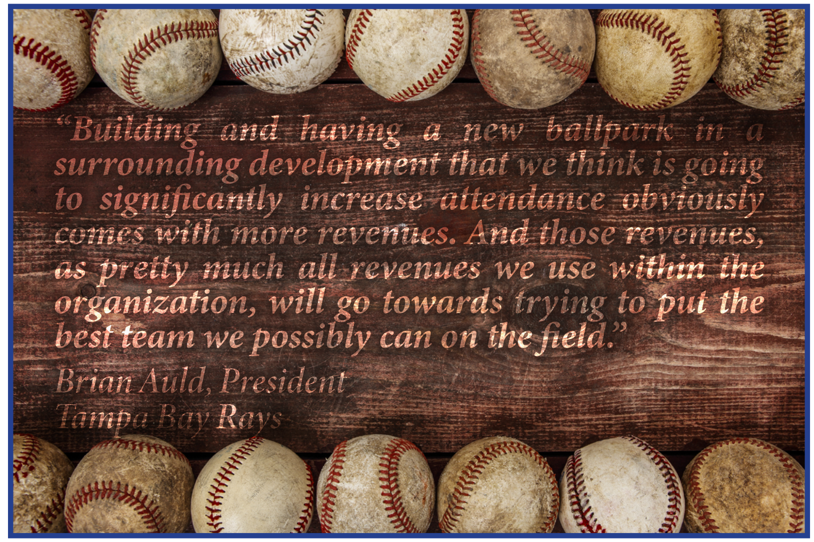
A "clawback" is simply a contractual provision that requires, under certain conditions, something to be given back. Clawback provisions address what happens when one party makes a promise to perform but the promise is not honored and serve as insurance to make sure both parties hold up their end of the bargain.

Victus and HR&A Advisors have provided the County and City, respectively, with 30-year estimates of the fiscal end economic impacts of developing the Historic Gas Plant District. These impacts include billions of dollars in direct spending and economic output; tens of thousands of new jobs; and tens of millions of dollars in new tax revenue for local governments and taxing authorities. The question then becomes "what if these benefits do not materialize?" The community will not know the answer to this question before the development agreement is executed and will not likely know until well into the 30-year lease period.

The inclusion of clawback provisions in the development agreement would help to provide more balance between the development interests of the community and the profit interests of the Rays, as well as afford the taxpayers some level of "money back" protection.

Discussion

At the risk of oversimplifying, the Rays have expressed optimism that the new ballpark and surrounding redevelopment will increase foot traffic in the District and attendance at Rays' games. Increased attendance will increase revenues which will be used to put the best Rays' team on the field that it can. This is reflected in the following statement by the Rays' President.



The Rays are optimistic that the new ballpark and surrounding amenities will increase attendance through:

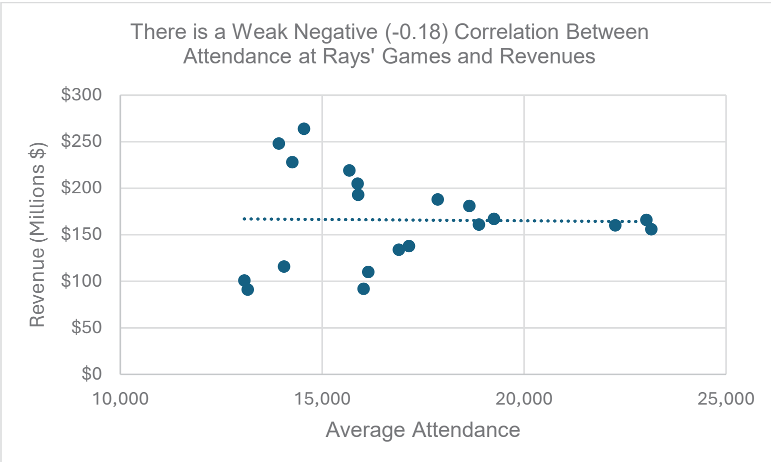
- The enhanced game-day experience created by the surrounding development of restaurants, bars, and other public spaces;
- The continuing growth and development of downtown St. Petersburg;
- The improvements of the local transportation network (e.g., expansion of the Howard Frankland bridge); and
- The projected increase in corporate support (e.g., sponsorships, sales of suites, etc.).[42]

Using Rays' historical data, Florida TaxWatch looked at the correlation between attendance and revenues, which is captured

40 League of Women Voters St. Petersburg Area, "How Will We Know if the Rays Stadium Deal is a Good One?"
41 Marc Topkin, "Why the Rays Expect a New Stadium to Pay Off With a Better Team," Tampa Bay Times, retrieved from https://www.tampabay.com/sports/rays/2023/09/23/rays-stadium-future-revenue-increased-attendance-player-payroll/#:~:text=The%20bottom%20line%20is%20that,used%20to%20increase%20player%20payroll.&text=23%2C%202023-,ST.,new%20stadium%20in%20downtown%20St., March 16, 2024.
42 Ibid.

in Figure 7. As Shown in Figure 7, there is a weak, negative correlation between attendance at Rays' games and revenues. Rays' revenues have increased steadily independent of attendance at Rays' games. This is not unexpected given that the Rays have other revenue streams (e.g., television rights, stadium naming, etc.) in addition to revenue generated by those attending a game.

Figure 7.



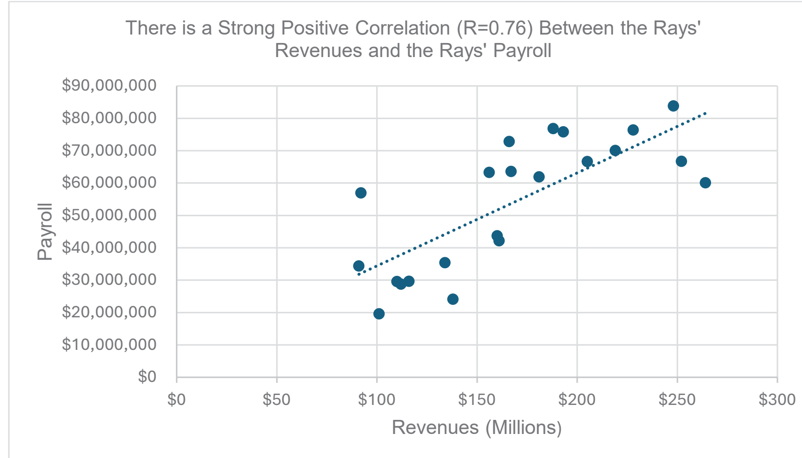
Sources: Statista.com and Baseball Almanac

Florida TaxWatch also looked at the correlation between revenues and payroll (see Figure 8). There is a strong positive correlation between revenues and the payrolls of the Rays' opening day 26-man rosters, suggesting that the Rays are investing some of the increased revenues in higher-paid (and ostensibly better) players.

Key Considerations:

- New ballpark's impact on attendance, revenue, and on-field success uncertain
- Public benefits may not justify large subsidies
- Intangible factors like civic pride also important
- Deal should include taxpayer protections:
    1. Clawback provisions
    2. Revenue sharing
    3. Lease terms deterring relocation

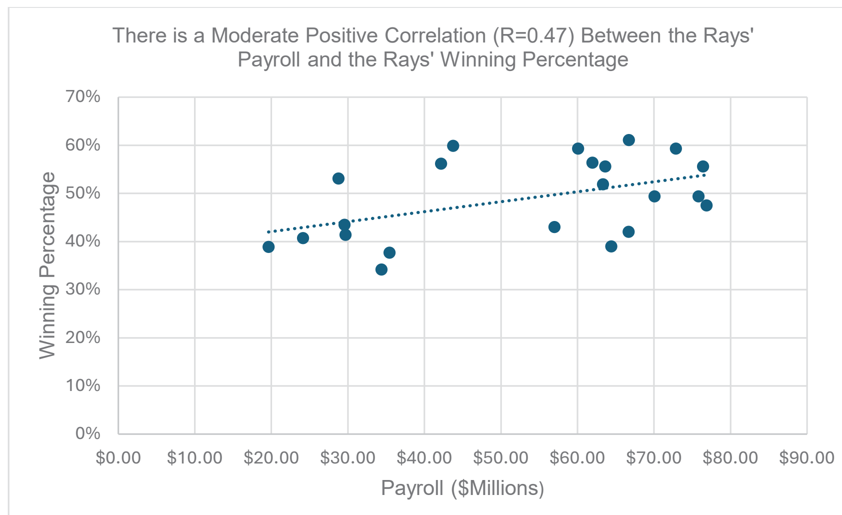
Figure 8.



Sources: Statista.com and Spotrac MLB Team Payroll Tracker

Florida TaxWatch looked at the correlation between the Rays' payroll and performance on the field. The Rays play in the American League East, arguably the most competitive division in Major League Baseball. As shown in Figure 9, there is a moderate positive relationship between the Rays' payroll and the team's winning percentage.

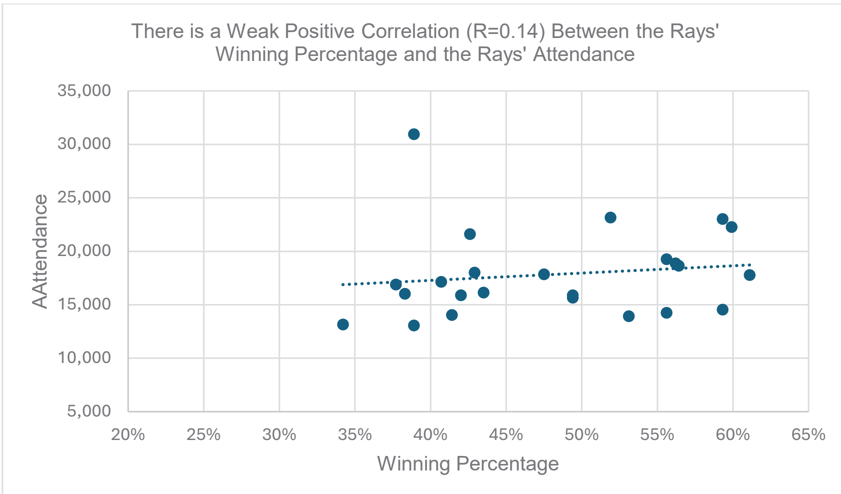
Figure 9.



Sources: Spotrac MLB Team Payroll Tracker, ESPN, Ballpark Digest, and Baseball Reference

Finally, Florida TaxWatch looked at the correlation between the Rays' winning percentage and attendance. As shown in Figure 10, there is a weak positive correlation between the Rays' performance on the field and attendance at Rays' games.

Figure 10.



Sources: ESPN and Baseball Almanac

Figures 7 through 10 suggest that revenue, and not attendance, drives the team payroll which, in turn, drives the team's performance on the field. Further, the Rays' performance on the field does not appear to put fans in the seats.

Proponents of publicly subsidized sports venues assert that these facilities improve the local economy in four ways: First, construction of the ballpark will create new construction jobs. Second, people who attend the games will create new spending in the community. Third, the team attracts tourists and businesses to the community, which further increases jobs and local spending. Finally, all this new spending has a "multiplier effect" as increased local income generates even more spending and more jobs.[43]

Research[44] shows that the estimates of income that will be generated and spent in the area surrounding the facility are often overstated. New sports facilities have a small, often de minimus, effect on overall economic activity and employment. Public funds used to subsidize sports facilities can generate new revenues for a community only if one of the following conditions exists:

- The funds generate new spending by people from outside the area who would otherwise not be there;
- The funds cause area residents to spend more money locally than they would have spent otherwise; and
- The funds continue to "turn over" locally, thereby creating new spending.[45]

As a general rule, sports facilities attract neither new tourists nor new industries. Although new sports facilities generate revenues from ticket sales, concessions, etc., the relevant question is whether these revenues are "above and beyond" what would have been spent anyway. Most of the spending that occurs inside the ballpark is a substitute for other local discretionary spending (e.g., going to a restaurant or taking in a movie). The same holds true for taxes collected inside the stadium, which make up for declining taxes not collected at other entertainment venues. Whatever money is spent in the ballpark cannot, then, be spent on other activities, so no new revenues are being created. The argument can be made that higher incomes in the area permit households to devote more of their discretionary income to attend sporting events; however, proving that incomes are higher because of the public investment into the ballpark is difficult.

Why, when there is so much economic research showing that the benefits of hosting professional sports franchises are not sufficient to justify large public subsidies, does taxpayer funding for these subsidies continue to grow? One has to consider "intangibles" such as consumer satisfaction and civic pride. Florida TaxWatch understands that not every expenditure of public funds is designed to generate a positive return on the investment. Local governments spend public funds for parks, libraries, and other facilities not because they are expected to turn a profit but because they enrich the community and improve the quality of life.

Having a Major League Baseball team in St. Petersburg is a "public good" that creates civic pride and civic engagement. Major League Baseball teams become symbols of their host communities and provide their fans a sense of identity. This breeds camaraderie and brings together fans with widely divergent demographics. This

43 Andrew Zimbalist and Roger G. Noll, "Sports, Jobs, & Taxes: Are New Stadiums Worth the Cost?," Brookings, June 1, 1997, retrieved from https://www.brookings.edu/articles/sports-jobs-taxes-are-new-stadiums-worth-the-cost/, March 19, 2024.
44 Supra, see footnote 24.
45 Adam M. Zaretsky, "Should Cities Pay for Sports Facilities?," Federal Reserve Bank of St. Louis, April 1, 2001, retrieved from https://www.stlouisfed.org/publications/regional-economist/april-2001/should-cities-pay-for-sports-facilities, March 17, 2024.

makes sports fans more willing to accept higher taxes or reduced public services to attract or retain a professional sports franchise. A new ballpark represents a benefit that is enjoyed by Rays' fans regardless of who is paying for it. A new publicly subsidized ballpark in St. Petersburg will generate considerable consumer satisfaction when compared to other investment opportunities. For these reasons, arguments against publicly subsidized sports facilities, no matter how persuasive, are likely to be ignored.

Should the City and County choose to go forward with the proposed new ballpark and redevelopment of the Historic Gas Plant District, there are two major risks that Florida TaxWatch recommends be addressed in the development agreement and/or facility lease. First is the risk that the public costs may exceed the projected fiscal revenues, creating a fiscal loss for the City and/or County. This loss must then be offset, either by raising local taxes or by reducing public services.

Second is the risk that, at some point during the 30-year lease, the Rays decide to move. The Rays have expressed optimism that the construction of a new ballpark and the execution of a 30-year lease (with an option to extend an additional ten years) will put an end to the speculation that the team is looking to relocate. Owners generally want to move their franchise because they think it has more value somewhere else. Most professional sports leases have some sort of "escape clause" that permits a team to break the lease if, for example, attendance drops below a certain threshold or if the ballpark and surrounding areas are not properly maintained. Leases may include provisions that permit the team to "buy their way out" of the lease, leaving the public entity with a stadium and no team. Regardless, the guardrails built into these leases rarely prevent a sports franchise from moving.

To mitigate these risks and to balance the development interests of the taxpayers and the profit interests of the Rays, Florida TaxWatch offers the following recommendations:

(1) The development agreement between the City, County, and the Rays should include clawback provisions to afford the taxpayers some level of "money back" protection in the event that the projected economic and fiscal benefits do not materialize;

(2) The ballpark lease should include provisions whereby revenues generated by the use of the ballpark (e.g., ticket sales, television viewing, parking, advertising, etc.) are shared between the Rays and the City and County; and

(3) The lease for the new ballpark should include provisions that sufficiently deter the Rays from relocating.

Appendix A

From: Lisset G. Hanewicz <Lisset.Hanewicz@stpete.org>
Sent: Wednesday, February 14, 2024 5:09:07 PM
To: Jeff Kottkamp <jkottkamp@floridataxwatch.org>
Cc: Bob Nave <bnave@floridataxwatch.org>
Subject: Historic Gas Plant Redevelopment deal in St. Petersburg, Florida

Lt. Gov. Kottkamp,

As a St. Petersburg City Council Member, I will be deciding whether to approve the most expensive deal in the City's history – the Historic Gas Plant Redevelopment. It involves the redevelopment of an 86-acre site where the current Tropicana Field sits and the building of a new stadium for the Tampa Bay Rays. I am seeking as much input as possible from different perspectives and ask Florida Tax Watch to consider reviewing this deal given the amount of public subsidy, which is the largest in our city's history.

Below are links to the city's webpage discussing the redevelopment and another website by a group of citizens who oppose the deal. The citizens are led by Ron Diner who previously served as President of Raymond James Affordable Housing and was the Director of Strategic Community Partnerships at Raymond James and co-founder of Lunch Pals, a mentoring program with Pinellas Public Schools. I have also included a link to documents on the deal provided to us for the 10/26/23 Committee of the Whole (our first discussion of the deal) and a link to watch the meeting.

https://www.stpete.org/residents/current_projects/tropicana_field_site.php

https://www.nohomerun.com

First discussion at a Committee of the Whole (10-26-23):

https://cms5.revize.com/revize/stpete/2023-10-26%20Committee%20of%20the%20Whole%20Agenda%20Packet.pdf

Recorded meeting:

https://stpete.granicus.com/MediaPlayer.php?view_id=14&clip_id=6184

I have also attached a memorandum that I requested from Administration providing certain present value calculations that were not included in the October 26, 2023 meeting. The present value of the future ad valorem revenue is based on HR&A Advisors Inc. analysis of the future development plan.

The next time we discuss this deal will be at Committee of the Whole meetings in April once we get the draft Agreements. It would then go to City Council for a vote.

If you have any questions, please do not hesitate to contact me. Thank you for your consideration.

Regards,

Lisset Hanewicz
St. Petersburg City Council Member
District 4
727-893-7117
Legislative Aide: Jayne Ohlman

ABOUT FLORIDA TAXWATCH

As an independent, nonpartisan, nonprofit taxpayer research institute and government watchdog, it is the mission of Florida TaxWatch to provide the taxpayers of Florida and public officials with high quality, independent research and analysis of issues related to state and local government taxation, expenditures, policies, and programs. Florida TaxWatch works to improve the productivity and accountability of Florida government. Its research recommends productivity enhancements and explains the statewide impact of fiscal and economic policies and practices on citizens and businesses.

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All Florida TaxWatch research is done under the direction of Dominic M. Calabro, President, CEO, Publisher & Editor.

The findings in this Report are based on the data and sources referenced. Florida TaxWatch research is conducted with every reasonable attempt to verify the accuracy and reliability of the data, and the calculations and assumptions made herein. Please feel free to contact us if you feel that this paper is factually inaccurate.

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