As Stadiums Vanish, Their Debt Lives On

By KEN BELSON

It’s the gift that keeps on taking. The old Giants Stadium, demolished to make way for New Meadowlands Stadium, still carries about $110 million in debt, or nearly $13 for every New Jersey resident, even though it is now a parking lot.

The financial hole was dug over decades by politicians who passed along the cost of building and fixing the stadium, and it is getting deeper. With the razing of the old stadium and the Giants and the Jets moving into their splashy new home next door, a big source of revenue to pay down the debt has shriveled.

New Jerseyans are hardly alone in paying for stadiums that no longer exist. Residents of Seattle’s King County owe more than $80 million for the Kingdome, which was razed in 2000. The story has been similar in Indianapolis and Philadelphia. In Houston, Kansas City, Mo., Memphis and Pittsburgh, residents are paying for stadiums and arenas that were abandoned by the teams they were built for.

But befitting its name, Giants Stadium is the granddaddy of phantom facilities. Taxpayers in New Jersey, already under pressure from declining local government revenues, this year will pay $35.8 million in principal and interest on the $266 million in remaining bonds for the Meadowlands Sports Complex, which opened in 1976 and includes the Izod Center and a horse racing track. Those bonds will not be paid until 2025.

For its first decade, the complex was a success. But its fortunes faded as horse racing declined, the Nets and the Devils left for Newark, and the Jets and the Giants built their own $1.6 billion stadium next door, which will host its first National Football League regular-season game Sunday.

To offset its declining revenue, the New Jersey Sports and Exposition Authority, which runs the sports complex but not the New Meadowlands Stadium, expanded instead of contracting: building aquariums, convention centers and other facilities, issuing hundreds of millions of dollars in additional bonds.
How municipalities acquire so much debt on buildings that have been torn down or are underused illustrates the excesses of publicly financed stadiums and the almost mystical sway professional sports teams have over politicians, voters and fans.

Rather than confront teams, they have often buckled when owners — usually threatening to move — have demanded that the public pay for new suites, parking or arenas and stadiums.

With state and local budgets stretched by the recession, politicians are only now starting to look askance at privately held teams trying to tap the public till.

“The Meadowlands wasn’t a bad idea, but rather than pay it off, they let it ride,” said Steven Malanga, a senior fellow at the Manhattan Institute, who has written about the perils of publicly financed stadiums. “Politicians essentially turned a good thing into a money loser for taxpayers at exactly the wrong time.”

Paying for arenas and stadiums that are now gone or empty is a result of a trend that stretches back decades. Until the 1960s, public works were often defined as bridges, roads, sewers and so on: basic infrastructure that was used by all and was unlikely to be built by the private sector. With few exceptions, like County Stadium in Milwaukee, teams constructed their own stadiums.

As pro sports expanded into cities from coast to coast, politicians and business leaders pushed for taxpayer-financed stadiums to lure teams. To name a few, New York built Shea Stadium for the expansion Mets, Atlanta put up Fulton County Stadium to lure the Braves from Milwaukee, and Oakland built a stadium to entice the Athletics to move from Kansas City, Mo.

Soon after, Philadelphia, Pittsburgh and Cincinnati built stadiums for teams already there. In some cases, cities justified the expense as a way to keep owners from moving their teams. In other cases, politicians argued that the stadiums would generate enough revenue to cover the construction cost.

Competing With New York

Politicians and business leaders in New Jersey made the same claims when they created the sports complex in the Meadowlands, with a few twists. For one, they viewed the project as a way to compete with New York, which cast a long shadow in the region. Persuading the Mara family to move the Giants to New Jersey was a coup for the state, even if the team still keeps New York in its name.
But while other cities raised or introduced taxes to pay for their stadiums, the project’s chief cheerleader, Gov. William T. Cahill, promised that the racetrack would pay for itself and Giants Stadium, and that taxpayers would not be liable. In effect, the state gambled on gambling.

To ensure that there was enough money, the racetrack in the Meadowlands was allowed to keep 12 percent of each dollar bet as opposed to 5 percent at other tracks in New Jersey. That way, more cash would be available for other building projects and any excess would be sent to the state.

But Moody’s Investors Service was skeptical that a racetrack in the Meadowlands could generate enough money to pay for the $300 million in bonds the Sports and Exposition Authority wanted to issue. In a report issued in 1974, Moody’s said that “the market for wagering in the New York metropolitan area” is “already heavily catered to.”

Fearful that their sports empire would not be built, lawmakers in New Jersey grudgingly gave their “moral pledge” to back the bonds.

Early Success

At first, the sports complex boomed. Pegasus, the restaurant atop the racetrack, was an instant hit. The Giants sold out regularly despite mediocre teams. The authority covered its interest and principal payments and sent $60 million in profits to the state in its first six years.

State-sponsored authorities that can raise money by issuing bonds are often formed to create projects that politicians are unable or unwilling to create themselves. But they often become victims of their own success, and the authority in the Meadowlands was no different.

“Initially, the complex had a strong economic rationale,” said James W. Hughes, the dean of the Edward J. Bloustein School of Planning and Public Policy at Rutgers University. “But this being New Jersey, they couldn’t leave well enough alone. All of a sudden, what had been a net revenue producer gradually slipped into the red.”

In 1981, as a recession eroded profits at the track, the authority built an arena that cost about $85 million, nearly twice as much as expected. The authority received a boost when the Jets moved to the Meadowlands and the short-lived United States Football League played at Giants Stadium in the middle of the 1980s.

But the casinos in Atlantic City, off-track betting in New York and state-run lotteries continued to
chip away at the racetrack’s take, which accounted for the bulk of the authority’s income.

“By the 1980s, people realized competition had become keen for gaming,” said Jon F. Hanson, who was the chairman of the Sports and Exposition Authority for most of that decade. Eager for new revenue, he and the authority tried to build a new stadium to lure the Yankees to New Jersey. But the authority still had $356 million in bonds to pay off, and its main source of income was under attack. From 1987 to 1989, attendance at the racetrack fell 12 percent, or about $10 million less in profits.

So, the authority asked lawmakers to return the $60 million in profits it had sent to Trenton, a request that was denied. Voters rejected a proposal to issue $185 million in stadium bonds. Charles L. Hardwick, the speaker of the Assembly at the time, said the authority needed “better long-term planning and a cost-cutting program, not a massive infusion of state money, in order to maintain good financial health.”

Mandate Expanded

Hand-wringing aside, lawmakers in New Jersey have used the authority when it has suited their needs, as a source of jobs for their constituents or as a developer of projects like the renovation of the football stadium at Rutgers University and the construction of an aquarium in Camden, a two-hour drive from the Meadowlands.

By expanding the authority’s portfolio, though, they further strained its finances. So in 1992, the state began taking the authority’s debts onto its balance sheet. Because the state has retired and refinanced most of the authority’s bonds, it is difficult to say precisely how much debt is tied just to Giants Stadium.

But George R. Zoffinger, the chief executive of the authority until 2007, says that there is roughly $110 million in debt on the stadium. About $75 million in debt remains for the Izod Center, which lost its two anchor tenants, the Devils and the Nets, in recent years. The rest was tied to the racetrack.

The finances of public authorities are often murky. To determine that the RCA Dome in Indianapolis, which was demolished in 2008, has $61 million in debt remaining and will not be paid off until 2021, one must sift through 700 pages of bond documents.

With more than four decades of evidence to back them up, economists almost uniformly agree that publicly financed stadiums rarely pay for themselves. The notable successes like Camden
Yards in Baltimore often involve dedicated taxes or large infusions of private money. Even then, using one tax to finance a stadium can often steer spending away from other, perhaps worthier, projects.

“Stadiums are sold as enormous draws for events, but the economics are clear that they aren’t helping,” said Andrew Moylan, the director of government affairs at the National Taxpayers Union. “It’s another way to add insult to injury for taxpayers.”

No Quick Solutions

Some politicians in New Jersey applaud the Jets and the Giants for building their own stadium. But the old Giants Stadium generated about $20 million a year for the authority. Now, the agency will receive only $6.3 million in lease payments from the teams, and needs additional state subsidies.

The authority has promoted Xanadu, a privately built retail complex that has yet to open next to the Izod Center. But desperate to plug holes, the authority has spent the entire $160 million in rent payments it received from the developers. Some of the money was meant to pay off debt associated with the arena and the stadium, and was supposed to last 15 years.

During hearings in Trenton this year, Dennis Robinson, the president of the authority, said the sports complex generated tens of millions of dollars a year for the state from its facilities and in associated economic benefits. But the continued erosion of receipts at the racetrack and the loss of a football stadium have diminished the authority, which has laid off nearly half its full-time staff since 2002.

Eager to cut the state’s losses, Gov. Chris Christie in July endorsed proposals to lease the Izod Center and the racetrack in the Meadowlands to outside operators. But Gov. Christie was less precise about how the state would pay off the authority’s bonds, including those issued to pay for Giants Stadium.

“Believe me, I’m not unaware of the debt situation that was left here in my lap by decisions made by previous administrations,” Gov. Christie said, speaking from the 50-yard line at New Meadowlands Stadium. “But we’re just going to have to deal with it.”

Jo Craven McGinty and Griff Palmer contributed reporting.