

*FIRSTENERGY STADIUM AND  
THE PROPOSED SIN TAX EXTENSION*



PRESENTATION TO CUYAHOGA COUNTY COUNCIL  
TUESDAY, JANUARY 21, 2014

Ken Silliman, Chief of Staff to  
Mayor Frank G. Jackson



### *Age of Cleveland's Sports Facilities*

This year Progressive Field and Quicken Loans Arena will turn 20 years old, and First Energy Stadium will turn 15 years old. Although one study estimated the useful economic life of a sports stadium to be 30 years,<sup>1</sup> a lot of cities with stadiums practice the Scarlett O'Hara approach to stadium investment – “I'll think about that tomorrow.” Cities that fail to make midterm stadium investments usually end up building new (today's costs are approaching a billion dollars) or losing their teams.

Cleveland's downtown is unique due to the care we have taken in restoring and preserving historic structures. When the respective ages of our three sports facilities approach 30 years over the next decade, there is no reason why we cannot continue this tradition: *invest today* to avoid a much more costly future investment. Remember that the public—not the teams—owns these facilities.

### *Location of Cleveland's Sports Facilities*

A 2000 survey found that about half of the 113 major sports franchises were located downtown: specifically, “... of the 113 major sports franchises that existed in 1997, 58 were built downtown, 26 in a central city, and 29 in a suburban area.”<sup>2</sup> Yet in Cleveland, *all three* of our major sports facilities are compactly located downtown within easy walking distance of the downtown office market and adjacent to two of Cleveland's most popular entertainment districts: East 4<sup>th</sup> Street for the Indians and Cavaliers, and the Warehouse District for the Browns.

### *Financing History of FirstEnergy Stadium*

FirstEnergy Stadium was dedicated in August, 1999 at an estimated \$300 million construction cost. The major funding sources for the construction of the football stadium, and for the funding of the stadium's capital repair fund, were passed by the City of Cleveland and Cuyahoga County in 1995. They include a 10% parking tax, a 2% increase in the admissions tax, rental car taxes, and a ten-year extension (2005-2015) of the countywide sin tax.

The City of Cleveland receives these tax proceeds every year and makes its annual debt service payments with the benefit of these proceeds. From 2005 through 2012, the City was able to make most or all of its annual payments from sin tax proceeds. That's because the stadium closing documents stated that the first \$87 million of

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<sup>1</sup> “Siegfried and Zimbalist (2000) point out that the effective useful economic life of a sports stadium appears to be about 30 years, a figure consistent with the average age of the stadiums replaced in the past six years.” Dennis Coates and Brad R. Humphreys, “Professional Sports Facilities, Franchises and Urban Economic Development,” UMBC Economics Department Working Paper 03-103, 2003.

<sup>2</sup> See Tracy H. Newsome and Jonathan C. Comer, “Changing Intra-Urban Location Patterns of Major League Sports Facilities,” THE PROFESSIONAL GEOGRAPHER, February 2000, Volume 52, Issue 1, pages 105-120.

sin tax proceeds were to be applied to stadium debt service. Since the sin tax brings in about \$13 million per year, that provision gave the City a little less than seven years to use the sin tax for debt service. After the first \$87 million of the sin tax proceeds were allocated to stadium debt service, the stadium closing documents stated that the remaining proceeds are to be allocated as follows:

- The next \$29 million to the City of Cleveland to be applied toward stadium capital repairs; and
- The remaining proceeds to Cuyahoga County.

Since 2012, the City has had to fall back on the other stadium funding sources—the parking tax, admissions tax increase, and rental car taxes—to make the annual debt service payments.

*Cleveland Browns' Phase I Capital Repairs and Improvements: \$70 Million in 2014*

In 2013—a year before the halfway point of the City of Cleveland's 30-year lease of the football stadium to the Cleveland Browns—the Browns proposed to make \$120 million of capital repairs and improvements to the stadium. In return, the City made certain commitments summarized below. Cleveland City Council passed authorizing legislation on November 25, 2013. While this significant project will go a long way toward extending the useful life of the stadium, it does not resolve all repair work needed over the remainder of the lease term. The most significant 2014 Browns repairs and improvements, in rank order of their cost estimates, are the scoreboards and related audio/control rooms (\$30 million), end zone improvements (\$28 million), lower bowl improvements including American Disabilities Act changes (\$6 million), and escalators (\$4 million).

*Cleveland Browns' Phase II Capital Repairs and Improvements: \$50 Million in 2015*

The most significant 2015 Browns repairs and improvements, in rank order of their cost estimates, are club seating repairs and improvements including painting and carpeting (\$13 million), suite repairs and improvements including painting and carpeting (\$10 million), concessions (\$7 million), concourse and surface lighting (\$6 million), increased hospitality (\$5 million), new south side entry (\$3 million), field lighting (\$3 million), infrastructure (\$2 million), and back of house sound (\$1 million).

*City of Cleveland Annual Payments to Cleveland Browns: Years 2014 to 2028*

Subject to annual appropriations by Cleveland City Council, the City will pay the Browns \$2 million per year for fifteen years. Though the total payments are \$30 million, *the present value of the total payments is \$22 million.*

***The Stadium Capital Audit***

Cleveland City Council authorized a \$400,000 stadium audit contract with URS. The report was completed in December, 2013. We asked URS to prepare a summary of major findings and that summary is attached as Exhibit A.

***Browns Project Versus URS ‘ Material Capital Repairs 2014 to 2024.***

URS projected \$23,705,614 of material capital repairs that will accrue in the next ten years. Of that total, the following table depicts those repairs that we have determined will be performed by the Browns as part of their \$120 million project.

ITEM	PROJECT YEAR	\$ AMOUNT
Architectural (ADA)	1	103,467
Architectural (ADA)	2	2,780,701
Architectural (including painting and carpeting)	6-10	6,150,059
TOTAL		9,034,227

***Browns Project Versus URS ‘ Capital Repairs & Improvements 2014 to 2024.***

URS projected \$56,248,703 of capital repairs and improvements that will accrue in the next ten years. Of that total, the following table depicts those items that we have determined will be performed by the Browns as part of their \$120 million project.

ITEM	PROJECT YEAR	\$ AMOUNT
Telecommunications (scoreboard)	1	19,036,988
Electrical (field lighting)	3-5	4,694,684
TOTAL		23,731,672

***Remaining Capital Repair Needs Once the Browns Improvements Are Completed.***

After the capital repairs and improvements funded by the Browns are completed in 2015, the following table depicts the remaining needed improvements identified in the URS capital audit and the proposed funding sources for those items.

USES OF FUNDS FOR URS REPAIRS		SOURCES OF FUNDS FOR URS REPAIRS	
ITEM	\$ AMOUNT	ITEM	\$ AMOUNT
Remaining Material Capital Repairs 2014 to 2024	14,671,387	Existing Sin Tax Proceeds That Expire in 2015	24,000,000
Remaining Capital Repairs & Improvements 2014 to 2024	32,517,031	Proposed Extended Sin Tax Proceeds 2015-2035	23,188,418
TOTAL	47,188,418	TOTAL	47,188,418

*Community Benefits on the \$64 Million Phase I of the Browns Improvements*

- Project subcontracts will be on hard construction cost only: \$54 million;
- Goal Waiver Request Form for specialty work: \$22 million;
- The sub-contracting plan will be on \$32.2 million of work;
- The following percentages will apply to that portion of the Phase I project: MBE 10%, FBE 7%, CSB 14%, for a total of 31% participation.
- Cleveland Resident Employment: 20%
- The project will pay prevailing wage.
- Browns will promote green building initiatives.
- Browns will increase annual contribution to the Muni Football League (28 organizations, 82 teams).
- Browns will continue to provide tickets to the Recreation Department for Browns Football games.
- Browns make an annual contribution to the Case Western Reserve University National Youth Program.

*Stadium Debt Service*

As of November 15, 2013, the City owed \$128,245,000 on the stadium debt. The debt service schedule for remaining payments is:

PERIOD ENDING 12/31	DEBT SERVICE PAYMENT
2013	15,015,743.76
2014	11,917,168.76
2015	11,920,731.26
2016	11,920,231.26
2017	11,917,731.26
2018	11,919,312.50
2019	11,915,493.76
2020	11,912,650.00
2021	10,132,000.00
2022	10,130,950.00
2023	10,127,700.00
2024	10,132,100.00
2025	10,128,700.00
2026	10,127,500.00
2027	10,128,200.00
2028	8,600,500.00

EXHIBIT A

URS *FIRSTENERGY* STADIUM CAPITAL AUDIT





## SUMMARY of PROJECTED MATERIAL CAPITAL REPAIRS for Years 2014 to 2024

November 22, 2013 Revised

<b>Row Labels</b>	<b>Sum of (0) Total Project Year 1</b>
ARCHITECTURAL	\$103,467
ELECTRICAL	\$564,748
FIRE PROTECTION	\$613,165
MECHANICAL/PLUMBING	\$490
SITE/CIVIL/LANDSCAPE	\$110,809
STRUCTURAL	\$38,665
TELECOMMUNICATIONS	\$28,966
<b>Grand Total</b>	<b>\$1,460,309</b>

<b>Row Labels</b>	<b>Sum of (1) Total Project Year 2</b>
ARCHITECTURAL	\$2,780,701
ELECTRICAL	\$1,666,617
FIRE PROTECTION	\$44,304
MECHANICAL/PLUMBING	\$39,054
SITE/CIVIL/LANDSCAPE	\$313,867
STRUCTURAL	\$28,746
TELECOMMUNICATIONS	\$109,590
<b>Grand Total</b>	<b>\$4,982,879</b>

<b>Row Labels</b>	<b>Sum of (2) Total Project Years 3-5</b>
ARCHITECTURAL	\$2,178,341
ELECTRICAL	\$1,338,707
FIRE PROTECTION	\$13,683
MECHANICAL/PLUMBING	\$72,072
SITE/CIVIL/LANDSCAPE	\$91,580
STRUCTURAL	\$1,871,323
TELECOMMUNICATIONS	\$0
<b>Grand Total</b>	<b>\$5,565,707</b>

<b>Row Labels</b>	<b>Sum of (3) Total Project Years 6-10</b>
ARCHITECTURAL	\$6,150,059
ELECTRICAL	\$10,366
FIRE PROTECTION	\$4,961,666
MECHANICAL/PLUMBING	\$2,880
SITE/CIVIL/LANDSCAPE	\$86,386
STRUCTURAL	\$485,361
TELECOMMUNICATIONS	\$0
<b>Grand Total</b>	<b>\$11,696,718</b>

**Total** **\$23,705,614**

## SUMMARY of PROJECTED CAPITAL REPAIRS AND IMPROVEMENTS 2014 to 2024

November 22, 2013 Revised

<b>Row Labels</b>	<b>Sum of Opt (4) Total Project Year 1</b>
ARCHITECTURAL	\$0
ELECTRICAL	\$0
FIRE PROTECTION	\$0
MECHANICAL/PLUMBING	\$0
SITE/CIVIL/LANDSCAPE	\$0
STRUCTURAL	\$303,303
TELECOMMUNICATIONS	\$18,733,686
<b>Grand Total</b>	<b>\$19,036,988</b>

<b>Row Labels</b>	<b>Sum of Opt (5) Total Project Years 2</b>
ARCHITECTURAL	\$0
ELECTRICAL	\$641,431
FIRE PROTECTION	\$0
MECHANICAL/PLUMBING	\$162,231
SITE/CIVIL/LANDSCAPE	\$0
STRUCTURAL	\$0
TELECOMMUNICATIONS	\$0
<b>Grand Total</b>	<b>\$803,663</b>

<b>Row Labels</b>	<b>Sum of Opt (6) Total Project Years 3-5</b>
ARCHITECTURAL	\$11,290,943
ELECTRICAL	\$4,694,684
FIRE PROTECTION	\$0
MECHANICAL/PLUMBING	\$94,154
SITE/CIVIL/LANDSCAPE	\$0
STRUCTURAL	\$0
TELECOMMUNICATIONS	\$18,382,572
<b>Grand Total</b>	<b>\$34,462,353</b>

<b>Row Labels</b>	<b>Sum of Opt (7) Total Project Years 6-10</b>
ARCHITECTURAL	\$737,162
ELECTRICAL	\$0
FIRE PROTECTION	\$0
MECHANICAL/PLUMBING	\$1,208,536
SITE/CIVIL/LANDSCAPE	\$0
STRUCTURAL	\$0
TELECOMMUNICATIONS	\$0
<b>Grand Total</b>	<b>\$1,945,698</b>

**Total** \$56,248,703

**SUMMARY of PROJECTED MATERIAL CAPITAL REPAIRS for Years 2014 to 2024**

November 22, 2013, Revised; data added

Material Capital Repairs	Sum of (0) Total Project Year 1	major cost items
ARCHITECTURAL	\$103,467	
ELECTRICAL	\$564,748	
<b>FIRE PROTECTION</b>	<b>\$613,165</b>	
Replace sprnklr heads & misc repairs		\$613,165
MECHANICAL/PLUMBING	\$490	
SITE/CIVIL/LANDSCAPE	\$110,809	
STRUCTURAL	\$38,665	
TELECOMMUNICATIONS	\$28,966	
<b>Grand Total</b>	<b>\$1,460,309</b>	

Material Capital Repairs	Sum of (1) Total Project Year 2	major cost items
<b>ARCHITECTURAL</b>	<b>\$2,780,701</b>	
ADA compliance		\$742,524
Finishes (carpet, walls, clgs, etc)		\$810,212
Control & expansion joints, concrete repair		\$878,756
<b>ELECTRICAL</b>	<b>\$1,666,617</b>	
Replace existg under bowl and wall wash fixtures w/LED		\$1,443,877
FIRE PROTECTION	\$44,304	
MECHANICAL/PLUMBING	\$39,054	
SITE/CIVIL/LANDSCAPE	\$313,867	
STRUCTURAL	\$28,746	
TELECOMMUNICATIONS	\$109,590	
<b>Grand Total</b>	<b>\$4,982,879</b>	

Material Capital Repairs	Sum of (2) Total Project Years 3-5	major cost items
<b>ARCHITECTURAL</b>	<b>\$2,178,341</b>	
Finishes (clgs, walls, doors/frames, floors)		\$1,638,490
Replace game day lockers		\$183,520
Exterior envelope, sealants, misc exterior		\$229,400
<b>ELECTRICAL</b>	<b>\$1,338,707</b>	
Relamp field lighting		\$481,025
Replace main concourse lights w/LED		\$857,683
FIRE PROTECTION	\$13,683	
MECHANICAL/PLUMBING	\$72,072	
SITE/CIVIL/LANDSCAPE	\$91,580	
<b>STRUCTURAL</b>	<b>\$1,871,323</b>	
Rusting metal deck under ramp		\$1,428,589
Misc concrete ramp and concourse repairs		\$166,315
Spot painting of rusted steel framing		\$238,576
TELECOMMUNICATIONS	\$0	
<b>Grand Total</b>	<b>\$5,565,707</b>	

Material Capital Repairs	Sum of (3) Total Project Years 6-10	
<b>ARCHITECTURAL</b>	<b>\$6,150,059</b>	
Replacement of finishes		\$1,359,144
Carpet		\$1,241,931
Paint		\$1,600,155
Ceilings		
ELECTRICAL	\$10,366	
<b>FIRE PROTECTION</b>	<b>\$4,961,666</b>	
Replacement of Dry Pipe System		\$4,961,666
MECHANICAL/PLUMBING	\$2,880	
SITE/CIVIL/LANDSCAPE	\$86,386	
STRUCTURAL	\$485,361	
TELECOMMUNICATIONS	\$0	
<b>Grand Total</b>	<b>\$11,696,718</b>	

**Total Projected Material Capital Repairs \$23,705,614**

**SUMMARY of PROJECTED CAPITAL REPAIRS AND IMPROVEMENTS 2014 to 2024**

November 22, 2013, Revised; data added

Capital Repairs and Improvements	Sum of Opt (4) Total Project Year 1	major cost items
ARCHITECTURAL	\$0	
ELECTRICAL	\$0	
FIRE PROTECTION	\$0	
MECHANICAL/PLUMBING	\$0	
SITE/CIVIL/LANDSCAPE	\$0	
<b>STRUCTURAL</b>	<b>\$303,303</b>	
Renovation for broadcast areas		\$303,303
<b>TELECOMMUNICATIONS</b>	<b>\$18,733,686</b>	
New HD cameras for scoreboard		\$417,778
Upgrade existing cameras		\$2,785,185
Scoreboard		\$14,867,775
<b>Grand Total</b>	<b>\$19,036,988</b>	

Capital Repairs and Improvements	Sum of Opt (5) Total Project Years 2
ARCHITECTURAL	\$0
ELECTRICAL	\$641,431
FIRE PROTECTION	\$0
MECHANICAL/PLUMBING	\$162,231
SITE/CIVIL/LANDSCAPE	\$0
STRUCTURAL	\$0
TELECOMMUNICATIONS	\$0
<b>Grand Total</b>	<b>\$803,663</b>

Capital Repairs and Improvements	Sum of Opt (6) Total Project Years 3-5	major cost items
<b>ARCHITECTURAL</b>	<b>\$11,290,943</b>	
Traffic coating on ramps		\$1,544,832
Seating refurbishing		\$9,168,577
<b>ELECTRICAL</b>	<b>\$4,694,684</b>	
Replace all field lighting		\$4,694,684
FIRE PROTECTION	\$0	
MECHANICAL/PLUMBING	\$94,154	
SITE/CIVIL/LANDSCAPE	\$0	
STRUCTURAL	\$0	
<b>TELECOMMUNICATIONS</b>	<b>\$18,382,572</b>	
Broad Video Surveillance Upgrades		\$650,187
Fiber optic backbone upgrade		\$841,092
IPTV Implementation		\$4,878,335
802.11 WiFi Implementation		\$12,012,958
<b>Grand Total</b>	<b>\$34,462,353</b>	

Capital Repairs and Improvements	Sum of Opt (7) Total Project Years 6-10	major cost items
<b>ARCHITECTURAL</b>	<b>\$737,162</b>	
Seating refurbishing		\$737,162
ELECTRICAL	\$0	
FIRE PROTECTION	\$0	
<b>MECHANICAL/PLUMBING</b>	<b>\$1,208,536</b>	
Chiller, cooling system upgrades		\$1,167,941
SITE/CIVIL/LANDSCAPE	\$0	
STRUCTURAL	\$0	
TELECOMMUNICATIONS	\$0	
<b>Grand Total</b>	<b>\$1,945,698</b>	
<b>Total Projected Capital Repairs and Improvements</b>	<b>\$56,248,703</b>	