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Economy & Efficiency Commission Presentation

Editorial Note: Although every effort has been made to insure the accuracy of the material in this presentation, the scope of the material covered and the discussions undertaken lends itself to the possibility of minor transcription misinterpretations.

**PRESENTATION BY
Mr. Richard Popper
Deputy to Supervisor Yaroslavsky, Third Supervisorial District, Los Angeles County
Topic: The NFL/Coliseum and Public Funding
September 9, 1999**

Chairman Abel introduced Mr. Richard Popper, Deputy for the Third Supervisorial District who made the presentation for Supervisor Yaroslavsky. Mr. Popper began his remarks by discussing some background on the negotiations to bring an NFL team to Los Angeles.

Three Supervisors, Burke, Yaroslavsky, and Knabe, are members of the L. A. Memorial Coliseum Commission. This Commission was established in 1950 as a joint powers authority of the County of Los Angeles, The City of Los Angeles, and the State of California. This is attributable to the fact that all three own property or have facilities at Exposition Park. The County runs the Museum of Natural History; the City has a swim stadium, parkland and operates the rose garden; and the State runs the Museum of Science and Industry, the African American Museum and owns most of the land. The Coliseum structure and the Sports Arena are owned by the Coliseum Commission. However, these structures are built on land that is owned by the State and leased to the Commission on a 50 year lease which expires in 2005.

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There has been an initiative to bring an National Football League (NFL) team back to the Coliseum. This effort has been championed by Councilman Marc Ridley Thomas and by the Coliseum Commission and its membership.

Since the NFL has 31 teams, their schedule is out of balance. This imbalance results in a number of teams having two off weeks during the course of the season. This can be an advantage to the team that gets to rest up.

The Los Angeles Area is currently in competition with Houston to have an expansion franchise. Once the NFL expands to 32nd team, it is unlikely that there will be any additional expansion in the near future.

One ownership group, headed by Mr. Ed Roski, initiated the process to get an expansion team to Los Angeles along with Councilman Ridley Thomas and the Coliseum Commission. Mr. Roski was able to encourage Mr. Eli Broad to become a major partner in this ownership group, and became the first ownership group representing the Coliseum.

Approximately a year ago Mr. Michael Ovits began planning a stadium in Carson. This project was going to be funded in large part by the development of a shopping mall adjacent to the stadium. However, in the spring of this year the NFL decided that the Coliseum was their preferred site in Southern California. At that point, Mr. Ovits moved into competition with Mr. Roski and Mr. Broad.

Since a significant amount of the land at Exposition Park is owned by the State. The Governor appointed, Science Center Museum Board member, Mr. Bill Chadwick, of Saylor Chadwick, a financial firm in Santa Monica, to be his lead negotiator in bringing an NFL team to the Coliseum. An additional consideration is that the Coliseum Commission has a lease for the use of the Coliseum through 2005. In 2005 the ground lease expires and will have to be renewed with the State. Mr. Chadwick has worked with governmental staff and the two ownership groups in putting together a packet that was submitted to the NFL in July. (A copy of this packet was distributed to the Economy and Efficiency Commission.)

Both Ericson Stadium, in North Carolina, and the Redskin Stadium in Maryland were built entirely with private money. Most of the debt in building these Stadiums was attached to luxury suites, club suites, and naming rights. In part, as a result of this experience, it is assumed that the luxury suite and club suite revenue at the Coliseum could bring in approximately \$30M a year. Additionally, a number of the new Stadiums have company names attached to them, Qualcom Stadium for one, and 3 Com Park which used to be Candlestick Park. Renaming the Coliseum could bring in \$100M plus. As an aside, Mr. Popper reminded the Commission that the full name of the Coliseum is "The Los Angeles Memorial Coliseum." He suggested that the current name of the Coliseum, and all that it implies, may make it difficult to deal with any naming rights issue that might arise.

A major problem exists over the development of parking facilities. The NFL initially insisted that over 20,000 parking spaces be created at Exposition Park. This would involve the construction of multi-level parking structures. The NFL believes that fans in Los Angeles would not be comfortable walking to the Stadium through the Exposition Park area. This has led to the impasse with the NFL. The cost of building 10,000, 15,000, or 20,000 parking spaces is approximately \$10,000 per space. The team owners and the NFL can fund the Stadium project, but they feel that the public sector should fund parking.

One proposal was to have a ticket tax go toward the construction of a parking facility with any short fall to be paid by the public sector. The property tax increment from the renovation of the Coliseum would also be included. This tax would bring in approximately \$2M a year to the City and County of Los Angeles and to the school district. A portion of the proposed plan would also involve a tax increment that would go into the parking structures as well. The plan, presented to the NFL, was rejected because some of the revenue streams that were dedicated to the parking structure, were revenue streams that, in other cities, go to the team owner. Some of the NFL owners felt that they should not be responsible to pay for something that they feel is the public's responsibility. Secondly, the owners in other cities felt that taking this action would set a new benchmark that would be used against them in their future negotiations.

Mr. Popper said that shortly after the rejection of the proposal the President of the NFL stated that they needed more public money. This remains the current NFL position.

Commissioner Stoke remarked that having been involved with the Museum of Science and Industry it disturbed him to think there was a plan to put parking structures next to the Coliseum, inside Exposition Park. He asked Mr. Popper if any thought had been given to building parking structures across from the Park, on the north side of Figueroa.

Mr. Popper replied that the City was looking into purchasing this property, but that no action has been taken at this time. He went on to say, that one of the problems in financing parking facilities for the Coliseum is that, unlike some other sports, an NFL team only plays 10 home games a year. There may be some bonuses from a play off game or two and a few other venues, but that is not enough to support the construction cost of a parking structure. A public subsidy would be required for parking structures that will stand empty for 355 days a year.

Commissioner Farrar remarked that C-span, on Tuesday September 7, broadcast a portion of the Los Angeles City Council meeting during which they addressed about 10 motions concerning the Coliseum. Commissioner Farrar went on to say that the next day, although he read a report and an editorial on it in the Daily News, The Los Angeles Times chose not to report on these issues. Commissioner Farrar asked if Mr. Popper knew the results of the meeting.

Mr. Popper stated that there was a small piece in the Metro Section of the Los Angeles Times with the Times presenting the issue positively for the NFL. He went on to say that, in general, the City Council opposed the use of general fund money to subsidize the project, but did not oppose the use of tax increment money. However, the City did not instruct either the Chief Legislative Analyst or the Chief Administrative Office to initiate any negotiations with the NFL. The Los Angeles City Council stated that the Roski-Broad Group could represent the City on this issue. Mr. Popper argued that to have the Roski-Broad Group represent the City in negotiations would be extremely difficult since the Group is unable to commit to anything in the name of the City. There is a real need to have a meeting between the NFL and the City's staff to work out the details, but it is Mr. Popper's understanding that the City is not going to actively engage in negotiations at this time.

Commissioner Stoke commented that the tax increment money is only a small portion of money, which would inure to the City of Los Angeles.

Mr. Popper disagreed with Commissioner Stoke stating that he would be right, except that, the Coliseum is in the Hoover Redevelopment District, which is a City Community Redevelopment Agency District. The possessory interest tax increment would go entirely to the Hoover Community Redevelopment Agency, which is governed by the City Council.

Mr. Popper continued by stating that the handouts that had been distributed to the Commission contained a summary sheet of the different taxes and monies that would be generated and their division among the government agencies. The material that was distributed also includes a copy of a memo to the Governor by Seybrook Capital. This firm was retained by the Coliseum Commission to formulate the numbers and their growth over 30 years. The summary sheet shows that the tax revenue generated by the Stadium and its operation largely go to the City and the Community Redevelopment Agency through the possessory interest tax. The remainder, an estimated \$10M, would go to the State.

The latest argument is that no general funds money should be used. Only the tax increment, the possessory interest of the Community Redevelopment Agency and the State income and corporate taxes that would not otherwise be received if the players were playing elsewhere, should be considered for the project. There has been some speculation that the State will make a one time appropriation from its General Fund.

Commissioner Sylva asked if bonds were issued, who would be the issuer.

Mr. Popper replied that although the Coliseum Commission, the Community Redevelopment Agency, and the State have bonding authority, it has not yet been determined who would issue any bonds. In the exclusive negotiation agreement it states only that a public entity would issue the bond.

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Mr. Popper replied that it would be since the existing Coliseum structure is exempt from the tax rolls. He

continued to say that there was a problem establishing a value for the Coliseum, as it has not been previously valued.

Commissioner Sylva asked if there was a deadline for the completion of these negotiations.

Mr. Popper replied that the deadline established for negotiations was September 15, 1999. He also stated that the most recent information he had was that the NFL was trying to nurture and resurrect both Carson and Inglewood as a site in order to stimulate competition and raise the franchise price.

Chairman Abel thanked Mr. Popper for his presentation and insight into this issue.

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