

## **Fiscal Impact of SunTrust Park and The Battery Atlanta on Cobb County Executive Summary Sept. 18, 2018**

### Overview

Historically, professional sports stadiums were privately owned by the sports teams that played within them. Then, in 1953, the Braves changed the paradigm when they relocated from Boston to Milwaukee to play in Milwaukee County Stadium, which was built entirely with public funds.

In 2017, the Atlanta Braves changed the model again when they partnered with Cobb County, Ga., to develop SunTrust Park and The Battery Atlanta. In addition to partnering with the municipality on the stadium, the Braves directly injected an additional layer of private investment through a mixed-use development that could create jobs, generate income and deliver new revenues through taxes, fees, etc.

The question here is, “Does this level of guaranteed private investment change the calculus for the public financing of the stadium?”

### **Old Model vs. New Model**

- The Old Model involved municipalities investing tax dollars into sports stadiums to entice sports teams to relocate or stay in their area. Strategies used to justify these expenditures tend to fall into two categories: tangible economic benefits to the community and/or intangible social benefits including publicity, community self-esteem or improved “quality of life.”
- The New Model is dramatically different than the earlier model that relied solely on public investment in a stadium. This requires the team to directly inject an additional layer of private real estate investment adjacent to the stadium. In this model, the two projects – stadium and privately-financed development – are inherently intertwined, as one would not exist without the other, and any objective fiscal assessment must view them in tandem.

### **Fiscal Impact Analysis**

Analysis of the project was completed by the Center for Economic Development Research (CEDR), a unit of Georgia Tech’s Enterprise Innovation Institute (EI<sup>2</sup>). Members of the CEDR met with leadership in Cobb County, Cumberland CID and the Atlanta Braves. They also analyzed extensive tax data from the Cobb County Tax Assessor. The analysis looked at three components that represent the true fiscal impact the relocation of the Atlanta Braves has had — and will have — on Cobb County.

- The first component is SunTrust Park itself. This part of the analysis will include only those revenues and expenses directly associated with the construction and operation of the new stadium.
- The second component is the surrounding development: The Battery Atlanta. This will include the new revenues and county expenses that arise from this major private investment that is directly linked to the stadium.
- The third and final component is the Halo Effect, which is the fiscal impact to Cobb County because of the change in property value around SunTrust Park and The Battery Atlanta. For this component, care will be taken to isolate only the change in taxable property value within a predefined area of influence that can be directly attributed to SunTrust Park and The Battery Atlanta.

*NOTE: All totals below may not add due to rounding. Also, when assumptions had to be made, they were always made in a conservative way that minimized revenue and maximized expenses.*

## Fiscal Impact of SunTrust Park

### **SunTrust Park-Related Revenues/Expenses – Cobb County Government**

New revenues to Cobb County associated with SunTrust Park fall into two major categories:

- Property Taxes – The Cobb Marietta Coliseum and Exhibit Hall Authority owns SunTrust Park, and therefore, the \$676.2 million real property value is completely exempt from property tax.
  - However, according to the Cobb County Tax Assessor, there is \$107.5 million of personal property located in the stadium that is completely taxable. On average, this property will generate \$270,000 annually to Cobb County.
- Sales/Hotel Taxes – The Atlanta Braves sold 2.5 million tickets in 2017, generating \$87.5 million. In addition, there was nearly \$30 million of taxable retail and concessions sales at the stadium.
  - It is estimated that about 30 percent of purchases inside the stadium were made by Cobb residents, so they were excluded from the analysis. The remaining sales generated \$817,000 in sales tax for Cobb County in 2017 through the 1 percent Special Purpose Local Option Sales Tax (SPLOST).
  - Out-of-town visitors represent another \$905,000 annually in local sales and hotel tax in Cobb County.
  - The final piece of the increase in sales tax has to do with the operating supply budget of the Atlanta Braves and the local spending of the more than 3,100 seasonal employees who work the games, which is estimated to generate another \$89,000 per year in local sales tax.

In total, new revenue from property and sales/hotel taxes generated by activity related directly to SunTrust Park is estimated to average \$2.1 million annually from SunTrust Park alone.

New expenses to Cobb County associated with SunTrust Park fall into four main categories:

- Debt Service – Only \$6.4 million is a true expense to the county government (remainder of debt service covered by Braves, visitors to the county and businesses in Cumberland CID).
- Capital Maintenance Fund (CMF) – Average of \$1.4 million annually over the next 20 years.
- Initial Infrastructure – Includes \$490,000 for projects out of the General Fund (over the first three years) – \$170,000 depreciation annually for the I-285 bridge – \$11.3 million additional projects.
- Operational costs – Includes \$970,000 for public safety and insurance.

In total, the average annual cost to the county over the next 20 years is \$9.5 million.

***When considering SunTrust Park alone, new expenses to the Cobb County Government exceed new county revenues by an average of approximately \$7.4 million per year.***

### **SunTrust Park-Related Revenues/Expenses – Cobb County Schools**

With respect to revenue, the Cobb Board of Education (BOE) collects property tax on the same personal property located within the stadium. Similarly, the school system gets sales tax revenue from all the same sources as the county. On the cost side, it is unlikely that any of the 3,100 seasonal employees moved to Cobb in order to work at the stadium, and as such, there is no projected increase in expense to the school system because of the stadium.

***When considering SunTrust Park alone, average new annual revenues to Cobb County Schools exceed new expenses by \$1.6 million per year.***

**On an average annual basis, when considering SunTrust Park alone, combined annual expenses to the Cobb County Government and Cobb County Schools exceed revenues by approximately \$5.8 million.**

## Fiscal Impact of The Battery Atlanta

### **The Battery Atlanta-Related Revenues/Expenses – Cobb County Government**

As mentioned earlier, The Battery Atlanta is what makes this public-private stadium different. Located next to the ballpark, The Battery is a mixed-use development that was master-planned and developed by the Braves, and it represents more than \$700 million in private investment, which was critical to Cobb County's decision to contribute to the development of the ballpark. With apartments, retail, restaurants, office space and a music venue, the Battery is generating constant economic activity that has significant impact on Cobb County.

With respect to The Battery Atlanta, new revenues to Cobb County associated with the development fall into three major categories:

- Property taxes – \$3.6 million in new county property tax (includes tax abatements associated with thyssenkrupp).
- Sales/Hotel Taxes – New annual sales tax estimated to be \$1.1 million.
  - Held constant over 20 years. Does NOT include additional space coming online in the future.
  - Hotel/Motel revenue of \$1.9 million (includes Aloft Hotel by Marriott).
- Other Government Revenues – Additional revenue, which includes fines, permits, insurance premium taxes and other miscellaneous government revenue, is estimated to be \$2.4 million annually.

When accounting for new revenue from property taxes, sales/hotel taxes and other government revenues, total county revenues are estimated to average \$9.1 million annually from The Battery Atlanta alone.

Based on the type and level of real property investment, as well as the number of employees, average wage and commuting patterns for Cobb County, as well as their existing cost structure, it is estimated that annual new county expenditures will be \$1.7 million.

***On an annual basis, when considering The Battery Atlanta alone, new revenues to the Cobb County Government exceed new expenses by approximately \$7.3 million on average over 20 years.***

### **The Battery Atlanta-Related Revenues/Expenses – Cobb County Schools**

In total, average new revenues of \$7.2 million per year are expected for the school system. That comes primarily from new property tax (\$6.1 million) and new sales taxes (\$1.1 million). This level of sales tax is slightly lower than reported for the county since the county school system only receives 92.75 percent of the 1 percent school tax in the county (the remaining 7.25 percent goes to Marietta City Schools).

For this analysis, an assumption is made that the new households related to both the 531 units at The Battery Atlanta, as well as the new employees of the development that are likely to live in the Cobb County school district, will result in an estimated \$2.5 million annually in new school board expenses.

***On an average annual basis, when considering The Battery Atlanta alone, new revenues to Cobb County Schools exceed new expenses by \$4.7 million.***

**On an average annual basis, when considering The Battery Atlanta alone, combined annual revenues to the Cobb County Government and Cobb County Schools exceed expenses by approximately \$12 million.**

## Combined Impact of SunTrust Park and The Battery Atlanta

When considering SunTrust Park and The Battery Atlanta together:

- The combined annual net fiscal impact of SunTrust Park (-\$7.4 million) and The Battery Atlanta (\$7.3 million) to the Cobb County Government is nearly revenue-neutral on an average annual basis.
- The combined annual net fiscal impact of SunTrust Park (\$1.6 million) and The Battery Atlanta (\$4.7 million) to Cobb County Schools is \$6.3 million per year.

## Fiscal Impact of The Halo Effect

The final piece of the fiscal impact of SunTrust Park and The Battery Atlanta relates to the impact the development has on property in the area surrounding the development – the Halo Effect. The extent to which new development occurs in the surrounding area because of SunTrust Park and/or The Battery should be included when talking about the fiscal impact of the development.

The Fair Market Value (FMV) of the area of influence (AOI) grew an astonishing 45.9 percent between 2013 (the year the Atlanta Braves announced they were moving) and 2017 (the most recent data available) — from \$9.7 billion to \$14.1 billion. Conservative measures were taken to reduce the overall growth in the AOI in order to separate regular growth in the area and pinpoint the real effects of SunTrust Park and The Battery Atlanta. These include accounting for the underlying growth in the AOI, Cobb County as a whole, the growth of nearby CIDs and removing The Battery Atlanta itself. A percentage of the remaining growth was then attributed to the arrival of SunTrust Park and The Battery Atlanta.

### **Halo Effect-Related Revenues/Expenses – Cobb County Government**

The new taxable value of \$470 million within the area of influence that is being attributed to SunTrust Park and The Battery Atlanta represents \$4.8 million annually in new tax revenue to Cobb County.

It is estimated that this new growth will generate \$815,000 in new annual county expenses.

***When considering the Halo Effect alone, new property tax revenues of \$4.8 million less new expenses of \$0.8 million results in a net annual positive fiscal impact of \$4.0 million to the Cobb County Government for the area of influence.***

### **Halo Effect-Related Revenues/Expenses – Cobb County Schools**

New property tax revenue to the school system from the Halo Effect is estimated to be \$8.9 million annually.

For the schools, new expenses are determined solely by the number of new households created. However, the bulk of the digest increase for the Halo Effect is not in new growth but simple value growth, which does not increase school services. If we assign all new residential parcels as new growth related to the Battery, then using data on number of students per new household and Cobb County School's local cost per student, new costs to the school system from these new parcels would be \$222,000 annually.

***As a result, when considering the Halo Effect alone, school revenues exceed expenses by \$8.7 million on an average annual basis, for the area of influence.***

**On an average annual basis, when considering the Halo Effect alone, combined annual revenues to the Cobb County Government and Cobb County Schools exceed expenses by approximately \$12.7 million.**

## Conclusion

The evidence referenced in the report makes clear that historically, publicly financed stadiums do not pay for themselves. The Atlanta Braves changed the stadium-financing paradigm by serving as the lead developer and delivering more than \$700 million in private real estate development immediately adjacent to the ballpark.

Therefore, the new question is “Does this level of guaranteed private investment change the calculus for the public financing of the stadium?” This comprehensive fiscal impact analysis demonstrates that the answer is “Yes.” This analysis used actual numbers for both new revenues and new expenses; utilized widely accepted fiscal modeling systems; and, when assumptions had to be made, they were always made in a conservative way that minimized revenue and maximized expenses.

***At a minimum, the Cobb County Government is better off by \$4 million per year as a result of SunTrust Park and The Battery Atlanta.***

*The fiscal impact to the school system is even more impressive. On an annual basis, new revenues to Cobb County Schools exceed new expenses by \$14.9 million per year.*

**On an average annual basis, the combined positive impact of SunTrust Park, The Battery Atlanta and the resulting Halo Effect to the people of Cobb County, through their government and schools, is approximately \$18.9 million per year.**

To view the complete report, please visit [www.cobbchamber.org/fiscalimpact](http://www.cobbchamber.org/fiscalimpact)