

Arena would shift city's finances

Pulling from three revenue sources creates trade-offs

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A clearer picture is emerging of the multiuse arena proposed for Downtown Evansville to replace the aging Roberts Stadium.

After consultants unveiled a highly detailed site and financing report last week, the arena now has a face, a recommended location — and a price tag.

The London Witte Group, an Indianapolis-based consulting firm, also presented a plan for paying for it.

Evansville, the consultants concluded, can pay for a new arena costing up to \$127 million — without raising property taxes — by using revenue from the Downtown tax increment financing district, Casino Aztar and the food and beverage tax.

While the consultants have identified potential funding sources to pay for an arena, they have not discussed what trade-offs would be involved in the city's tapping them.

Those are the same revenue sources used by the city and county to renovate The Centre, purchase firetrucks and police cars and provide financial incentives to companies such as Vectren and American General.

Bob Swintz, a London Witte accountant who drafted the financial plan, said there is enough money in each of three revenue sources to pay outstanding debts, make future investments and fund a new arena.

The plan is based partly on assumptions.

It assumes Casino Aztar will have a long, healthy future in Evansville. While the casino is still profitable, its owner, Tropicana Entertainment LLC, is in bankruptcy and has failed twice to sell the riverboat.

The plan also assumes the Legislature will approve a change in the use of the food and beverage tax. Vanderburgh County receives 1 percent of food and beverage sales. The majority of that money currently is being used to pay bonds on the \$35 million renovation of The Centre.

And then there's revenue generated from TIF districts. That's tax money gained through increases in assessed property values within the district development. Swintz projected that \$4 million will be available starting in 2012 to pay debt service for an arena.

HOK Sport, a Kansas City, Mo.-based arena consulting firm, has recommended a new multipurpose arena for Evansville be built Downtown on the D-Patrick Ford site on Walnut Street. The location was selected over other Downtown sites because of its proximity to parking garages and Main Street.

Hunt Construction Group of Indianapolis, which provides conceptual and construction management services for large-scale projects that have included Lucas Oil Stadium, the RCA Dome and the Indiana Convention Center, has estimated it would cost between \$117 million and \$127 million to build an 11,000-seat Downtown arena.

He said the Downtown TIF will generate enough revenue to pay existing debts and offer future incentives to encourage economic development. Still, TIF revenue available for other investments will shrink considerably for as long as the city is paying for the arena.

Even without using property taxes — which makes the project exempt from a public referendum — applying those three funding sources toward a new arena will cause a significant shift in city finances.

The consultants say, though, Evansville would stand to gain: an 11,000-seat, state-of-the-art arena, potential minor-league hockey, bigger and better concerts and the potential for economic spinoffs.

Here's a look at the three recommended sources of funding and how the money has been applied historically.

Casino Aztar revenue

Since the casino opened in 1995, the city has received each year a portion of admission and gaming taxes and land lease payments. The money is used to pay for capital purchases.

Riverboat funds will also be used to pay back \$6 million in bonds for the construction of two new city swimming pools. And, if the annexation plan for a northern section of Knight Township is approved, the money will fund the construction of a \$1.6 million fire station on the East Side. Revenue from the casino that is not spent on capital purchases accumulates and is invested in the city's riverboat fund.

"The (arena) would fit right in line with a lot of other expenditures with riverboat funds," said City Councilman Curt John, D-at large.

The city budget shows revenues from both admission and gaming taxes and land lease payments have decreased since 2005, when the city received \$18.4 million in admission and gaming taxes revenue and \$3.2 million in land lease payments. The land lease payments are performance-based, calculated by a percentage of adjusted gross receipts. The annual lease payment may not be less than \$1 million under the terms of the lease agreement with the casino.

Swintz estimated the casino would generate \$6.6 million in revenue annually between 2012 and 2021 and \$8.2 million annually between 2022 and 2039 that could be used to pay for the arena.

Swintz said those projections made no assumptions of growth in casino revenues.

A portion of this money hinges on an escalating clause the city has with the casino, Swintz said. Casino management signed a 10-year lease in 1995. It was renewed in 2005, this time with a five-year lease under the agreement that minimum annual lease payments would increase from \$1 million to \$5 million when the lease is renewed again.

John, the council's finance chairman, referred specific questions about the lease agreement to interim City Controller Jenny Collins, who did not return multiple phone messages.

TIF revenue

Evansville and Vanderburgh County have several tax increment financing districts, some of which have been very successful, said Vanderburgh County Auditor Bill Fluty. The Downtown TIF, which would fund an arena, was established in 1984.

A TIF district works like this: If a developer who owns a piece of property in a TIF district builds a hotel on a vacant lot and his property taxes increase from \$1,000 to \$10,000, the increase — in this case \$9,000 — goes into the TIF fund. The remaining \$1,000 would stay in the general property tax fund.

"It gives us funds that we can reinvest for the redevelopment of that particular area," commission member Phil Lieberman said of the district.

The TIF district was turned off for many years between 1984 and 2002, meaning money generated in the district went to the general property tax fund collected by the city instead of the TIF account.

Since the Downtown TIF was turned on in 2002, funds generated in the district have been used as financial incentives for the

Vectren and American General headquarters, Berry Plastics, Kenny Kent Block, Greyhound, Innovation Pointe infrastructure, Downtown Implementation Committee and Main Street brick repair.

Between 2003 and June of this year, the Downtown TIF has generated \$13.1 million. The annual amount has increased each year, growing from \$626,241 in 2003 to \$4.5 million last year. The Redevelopment Commission decides each year how much revenue to capture from increases in assessed value. Since 2006, the commission has captured 100 percent of the revenue.

Swintz said the Downtown TIF will generate around \$6 million this year. His funding plan assumes \$4 million will be available starting in 2012 to pay annual debt for an arena. Swintz said there is enough money to pay current debt obligations from the Downtown TIF and fund an arena.

Swintz's estimates "are very conservative" and do not include increases in assessed value, "and there should be some increased assessed valuation" if the arena is built, Redevelopment Commission Bob Goldman said.

Food and beverage tax

After increasing every year between 1996 and 2006, the revenue from the tax has been stagnant the past two years, Fluty said.

Swintz projected the tax will generate \$3.7 million this year. Around \$2.8 million of that is allocated to pay bond debt for The Centre. The remaining funds will be used to pay other costs associated with the facility, such as maintenance, Fluty said. Those bonds expire in 2018.

A change in the use of the food and beverage tax would require approval from the Legislature. State Rep. Dennis Avery, said he plans to meet with Mayor Jonathan Weinzapfel to discuss changing the use, a move Avery said he would support if the community backed it.

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Swintz based his financial plan on an assumption the arena would cost \$122 million, with construction starting next summer and finishing in two or three years. He said 75 percent of the cost, or about \$91 million, would be funded through long-term debt, a series of bonds issued in 2009 with a 6.5 percent interest rate and 30-year financing terms. Payments would begin in 2012. The remaining 25 percent, about \$31 million, would be paid for with cash on hand or collected over the next three years.

The amount of money being borrowed for the arena could change if interest rates drop, Swintz said.

"If we go to the bond market and rates have fallen to 3 percent, I'm going to say, 'Let's finance more. Let's do more because our capitalized interest is going to go down, our debt service reserve requirements could go down. ...

"At a lower interest rate, it may make more sense to finance more than 75 percent because it's cheap money."

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