

Issue 7 FREQUENTLY ASKED QUESTIONS

What is Issue 7?

During the 1990s, Cuyahoga County residents twice voted to help pay for the construction of Progressive Field, First Energy Stadium, and Quicken Loans Arena through a very small tax on cigarettes and alcohol products purchased in Cuyahoga County. This tax amounts to less than a penny and a half on a bottle of beer, a penny on a glass of wine, and less than a nickel on a pack of cigarettes and it is scheduled to expire in 2015.

Cleveland's sports facilities are publicly owned and we lease them to Cleveland's major league professional sports teams. Under these leases, the public and the teams share responsibility for maintaining these facilities and the public is legally obligated to pay for "major capital repairs." Issue 7 extends the current small tax on cigarettes and alcohol for twenty years to create a dedicated source of revenue to pay for these repairs. This extension will not increase what residents and visitors currently pay. It will, however, protect the public's investment in its sports facilities and ensure the City of Cleveland and Cuyahoga County are not forced to pay for these repairs with funds currently used for other services.

What has the impact of Cleveland's sports facilities been?

Progressive Field, First Energy Stadium, and Quicken Loans Arena have proven to be enormously valuable assets to our community.

- **Public Amenity:** The ballpark, arena, and stadium have infused downtown Cleveland with more than 300 evening and weekend events annually, including concerts and other non-sporting events.
- **Visitor Attraction:** They attract more than 4 million attendees every year, more than half of whom live outside of Cuyahoga County.
- **Economic Activity:** During the nearly 20 years since the Arena and Ballpark opened, Cleveland's sports facilities have added more than \$5 billion to our economy.
- **Job Impact:** These facilities support thousands of jobs for our residents.
- **Government Revenue:** These facilities have generated more than \$400 million in local taxes. This year, the teams will pay about \$1.5 million in property taxes through Gateway.
- **Development Impact:** Downtown Cleveland has been completely transformed during the last 20 years and the public's investment in these facilities, with the visitors they attract, has anchored that transformation. In the Gateway area alone there are now:
 - Five hotels, offering nearly 1,000 rooms, with four additional hotels either under construction or being planned.
 - Fifteen residential buildings, with more apartments under construction.
 - More than 40 restaurants and 20 additional "eateries" that are not full-service restaurants. Five more are under construction.
- **Image:** Because we were able to build these facilities and sign the teams to long-term leases to play in them, Cleveland retained its elite status as a place for professional sports, one of only 15 US cities with major league baseball, football, and basketball teams. Our teams and the facilities where they play are important to our regional, national and international image and help identify us as a major league city.

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Will Issue 7 increase taxes?

No, Issue 7 is an extension that will continue the very small tax that consumers have paid on cigarettes and alcohol for the past 25 years. It will not increase the amount that consumers currently pay.

What will the tax extension be used for?

Funds from Issue 7 will be used to pay for major capital repairs on these sports facilities as required by the leases with the teams. These facilities are huge and they are aging. They have experienced the wear and tear of having hosted tens of millions of people. Two of these facilities are exposed to the elements all year round, and, as everyone from this area knows from experience, during a Cleveland winter, small cracks quickly become big holes. The need to preserve and maintain these facilities is crucial to protect the public's investment in them and make sure we can continue to take full advantage of the benefits they provide.

Can the teams pay to maintain our sports facilities?

Through the Gateway Development Corporation and the City of Cleveland, the public owns these sports facilities and the teams are our tenants. Both the public and the teams have maintenance responsibilities for our facilities. The teams make annual repairs in accordance with their lease agreements. The teams have spent tens of millions of dollars improving and repairing their respective buildings. Under the leases with the teams, Gateway and the City of Cleveland are responsible for making major capital repairs and keeping these facilities up to competitive standards for professional sports teams. With respect to Gateway specifically, the Indians and Cavaliers have paid for all operational costs and 100% of all maintenance, repairs, and capital improvements, including those that were the public's responsibility. From the public's perspective, our leases with the teams are some of the most favorable and fair in the country, with Cleveland's teams paying more than what most teams pay for in other cities.

Didn't the Browns just get money from the City of Cleveland for stadium improvements?

Yes, but the issue is unrelated to the tax extension. The recent agreement between the Browns and the City addressed enhancements to the stadium that the City had agreed to pay for as part of the Browns' lease agreement. The tax extension issue will pay for major capital repairs to Cleveland's sports facilities, not these enhancements.

Why isn't the money the teams made from selling the naming rights to Cleveland's sports facilities used to pay for repairs?

In a way, it is. Because the value of the naming rights to a sports facility comes from association with the team playing there, the teams receive the revenue from their sale and the leases with Cleveland's three teams allow them to sell naming rights to generate revenue for their franchises. While this revenue isn't set aside to pay solely for repairs, it does pay for team expenses, including the team's share of maintaining the facilities where they play.

What about 28,000 jobs that the original sin tax campaign claimed?

The 1990 campaign envisioned a comprehensive neighborhood development that would have included the creation of additional office towers in the Gateway project. While the full scope of that office

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development didn't happen, a great deal else did, including residential and a new entertainment district on East 4th that didn't previously exist.

Construction in the neighborhood surrounding Gateway began seeing new construction and major redevelopment of historic buildings almost immediately after the ballpark and arena opened in 1994 that continues to today, providing full-time employment for many. We know that the teams have generated more than \$5 billion in economic activity with more than 75 million visitors to just the Gateway facilities since they opened. This has inarguably had a tremendously positive impact on downtown Cleveland job creation and retention. \$400 million in local taxes have been generated.

In 1990, downtown Cleveland's southern entrance was an area of the greatest disinvestment. There were no hotels or residents in the area, and only four to six full-service restaurants. Now, 20 years later the changes in the Gateway neighborhood have been dramatic and impactful.

Today, five hotels have added almost 1,000 rooms to the downtown inventory including the Radisson Hotel Cleveland-Gateway, the Holiday Inn Express, the Marriott Residence Inn, the Hilton Garden Inn and the Hyatt Regency. Two new hotels are under construction on East 9th Street between Prospect and Euclid avenues that will add another 275 rooms. All of these hotels provide jobs 24/7/365 and accommodate visitors destined for the ballpark and arena.

The Gateway neighborhood also has seen a remarkable growth in new bars, restaurants, shops and entertainment venues in its historic buildings fueled by the pedestrian traffic generated by ballpark and arena events. New parking construction was kept to a minimum for these venues so that visitors rely on downtown parking serving office buildings. Those walking to and from events frequent bars and restaurants at Tower City Center, along Prospect and Euclid avenues – from Morton's and the Hyde Park Grille to Flannery's and the Winking Lizard – to the House of Blues, Pickwick & Frolic and the unique dining of the East 4th street District.

While restaurants and bars are on the street, some 900 apartments on the upper floors of the Gateway neighborhood's historic buildings are nearly fully occupied with many people waiting to move into the area. The population of downtown residents continues to grow.

Could we make the team owners buy the facilities and have them pay for major capital repairs?

Professional sports in the United States is a partnership between the teams on the field and the communities that support them. The most visible symbol of these partnerships is the public's financial investment in the sports facilities where their teams play. Metropolitan areas make appropriate public investments in sports facilities to attract and retain sports teams to their areas as both public amenities and economic assets. Around the country, public investment in stadiums and arenas is the norm because it cements and stabilizes the relationship between teams and their communities.

In Cleveland, the public has long partnerships with its teams, dating back at least to 1928, when voters in the City of Cleveland passed the tax that allowed Cleveland to construct and own Cleveland Municipal Stadium, which hosted events for 66 years. In 1990 and again in 1995, Cuyahoga County voters passed

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and extended the small tax on cigarettes and alcohol products that funded the construction of Cleveland's sports facilities. By doing so, we renewed our partnerships with the Indians and the Browns and created a new partnership with the Cavaliers, bringing them back to Cuyahoga County.

The partnerships between the public and Cleveland's teams are formalized in the agreements leasing them our sports facilities and they spell out the obligations of both the teams and the public. It's unlikely the teams would pay to purchase expenses that the public is already obligated to pay under these leases.

Does Issue 7 give money to the owners and/or players?

None of this money goes to the players or the owners. It will be used to make major capital repairs to our sports facilities and protect the public's investment in them.

Does Issue 7 impact everyone equally?

This tax is applied uniformly and every resident and visitor in Cuyahoga County is affected by this tax in the same way they have for nearly 25 years, paying about 1.5¢ tax on a bottle of beer, 1¢ tax on glass of wine and 4.5¢ tax on a pack of cigarettes. Extending the tax on cigarettes and alcohol is the only option that the Ohio General Assembly has permitted to create a dedicated source of funding for the maintenance and repair of Cleveland's sports facilities

One benefit of this kind of tax is that, unlike other types of taxes, visitors to Cuyahoga County also pay it. More than half of the four million people each year who attend events at Cleveland's sports facilities don't live in our county; for nearly 25 years they have helped pay the cost of constructing Cleveland's sport facilities when they purchased cigarettes and alcohol in Cuyahoga County. If this tax is extended, visitors will also help pay for repairing our facilities and protecting the public's investment in them.

Would revenues from the sin tax be used for new scoreboards?

Yes. The original scoreboards at Cleveland's facilities were paid for by the public when the facilities were constructed. The public is responsible for major capital repairs to the facilities that were leased to Cleveland's teams and scoreboards were part of what the teams leased. As such, they are the public's responsibility to maintain at similar standards to those used in other facilities in each team's league.

The reason for this is that scoreboards are essential parts of sports facilities, just like playing fields and stands. A scoreboard isn't like a TV at your house – it is more like a computer at your business. Using a 20-year old scoreboard at a sports facility is like trying to run a business on 20-year old computers – it's just not going to work well.

Keeping scoreboards updated isn't a luxury; it's a necessity. The quality of a facility's scoreboard is a factor in its ability to attract both world-class events and visitors. Improvements in technology and changing audio, visual and information standards quickly render old scoreboards obsolete, making it difficult to find parts and putting the facilities that feature older scoreboards at a competitive disadvantage.

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Why don't we just increase the price of tickets or assess income taxes on the athletes when they are playing in games in the three sports venues?

In Cleveland, there is already an eight percent admissions tax on tickets – which is one of the highest ticket tax rates in the country. Increasing this tax – instead of extending the existing tax on cigarettes and alcohol – would result in significant increases in the cost of tickets; for example it would mean an increase of about \$4 to \$5 for the price of each Indians ticket. That increased cost would mean fewer people would attend games, which would result in fewer people frequenting nearby businesses (restaurants, bars, hotels) downtown. Fewer ticket sales would mean that the teams took in less money, leaving less to spend on the product that takes the field, making it harder to be competitive.

An increase in a ticket tax would put Cleveland at an even greater disadvantage when competing with other cities that have lower taxes for concerts or signature sporting events like the NCAA championships. Touring promoters look at bottom line revenue, and the amount of a ticket tax will affect their decision to bring an event to Cleveland or route it to another city to generate higher revenue.

Any increase in ticket costs can have a direct negative impact on the ability of area families to attend games, so a substantial increase in per-ticket costs seems much less desirable for everyone than simply continuing the tax of a few pennies that we have been paying on cigarettes and alcohol for nearly 25 years.

As for taxing athletes who play major league sports here – the so-called “jock tax” - we already have that in place in Cleveland.

Why can't we just renegotiate the leases with the teams?

We've already renegotiated the leases and it's saved tens of millions of dollars. In 2004 and 2008, the Indians and Cavaliers entered into new agreements with the Gateway Development Corporation that are among the most public-friendly in the country. The teams are locked in to playing in Cleveland well into the next decade and have been paying for all operating expenses, routine maintenance and most of the capital repairs to the facilities. This has already saved taxpayers tens of millions of dollars. The Browns Stadium lease also compares very favorably to leases for other pro football teams. The team pays a substantial rent, along with paying for the maintenance of the stadium

Most importantly, renegotiating almost certainly won't solve our main problem. The public owns these facilities and, as owners, no matter how we negotiate the leases with the teams, we will be responsible for some portion of their expenses. There is no guarantee that any renegotiation will result in cost savings for taxpayers. Negotiations are a give and take. You have to give something up to get what you want. Without this extension, we have no dedicated source of revenue to pay for these expenses, and the expenses would then be paid out of the general fund, impacting essential city services. We can't renegotiate ourselves into the revenue we need.