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New Detroit hockey arena likely faces funding hurdles

Unlike Comerica Park, Ford Field, public money likely a tough sell this time around

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/ The Detroit News

When Detroit Red Wings and Detroit Tigers owner Mike Ilitch recently pledged again to build a new arena in downtown Detroit, economic analysts said it was not an empty promise.

Despite an uncertain economy and a lack of public appetite for sports facility subsidies, building an arena in Detroit is still doable, but would require some creativity, they said.

"He's going to have to make a dramatic statement of faith in Detroit again to build a new hockey arena," said Scott Watkins, an economist for Anderson Economic Group in East Lansing, who has done analyses on building sports venues. A new hockey arena would cost an estimated \$300 million to \$400 million to construct.

"Mr. Ilitch and Red Wings fans see Hockeytown — a city and region very loyal to professional hockey," Watkins said. "What global lenders see is a risky investment. Their view is there would be no guarantee that for 10, 20, 30 years a hockey franchise can be supported in an area with declining population and declining income."

The hockey arena has been a long quest. Ilitch for five years has actively explored building a new arena downtown to replace the 35-year-old Joe Louis Arena and more recently said he wants to construct such a facility. The hockey team and city-owned Joe Louis Arena are still negotiating an extension of the lease.

"Like I've stated before, we're gonna have a new arena," Ilitch told The Detroit News last month during an exclusive interview. "That's the best thing I can say." On Friday, Ilitch Holdings announced that Eric Larson, an A-list real estate developer with a long track record of high-profile deals, is now in charge of all current and future real estate transactions for Olympia Development, the Ilitch entity that would play a big role in a

new hockey arena deal.

There are bigger obstacles for Ilitch to clear on a new arena than he had to overcome to build Comerica Park, the home of his Tigers. The path of public and private financing Ilitch took to create the ballpark is likely unavailable to him now, several analysts contend.

Comerica Park opened in April 2000 and cost \$300 million to build. Ilitch paid \$185 million of the cost of the stadium, owned by the Detroit-Wayne County Stadium Authority, and subleased to the team. The rest was paid for by the city of Detroit, Wayne County and corporate investors. The state of Michigan provided infrastructure improvements.

The stadium authority issued \$85 million in 30-year tourist tax bonds in 1997 for the baseball stadium and, with interest, will pay about \$176 million by 2027, according to the stadium authority. The bonds are paid twice yearly with revenue from a 2 percent rental-car tax and 1 percent hotel tax in Wayne County. The tax needed Wayne County voter approval.

In this era of painful budget cutting, getting voter approval for another venue is a tough sell, said Bernie Porn, president of EPIC-MRA, an opinion research firm in Lansing that does polling on statewide issues.

"The Tigers could win the World Series, the Red Wings could win the Stanley Cup, and I still don't see how he (Ilitch) gets voter approval for an arena," Porn said.

"Not that I have done any polling about the issue, but in this climate, I think it would be seen as a billionaire is asking for a tax break," he said. "But if you are asking me if he gets it done, I think that answer is yes."

What Ilitch has is rock-solid support in Michigan's corporate community and plenty of his own resources. Mike Ilitch and his wife, Marian, owner of Detroit's second-largest gaming hall, MotorCity Casino, have a combined fortune of \$2 billion, according to Forbes magazine. That includes their Little Caesar's pizza franchise empire headquartered in downtown Detroit.

He also could get major help from other Michigan businesses. In September, the Red Wings announced the organization signed a "presenting" sponsor agreement with Amway, the private Ada-based company owned by the DeVos and Van Andel families. Terms of the multiyear deal were not disclosed, but the deal includes Amway's logo being embedded in the ice and signage elsewhere at Joe Louis Arena, and community programs to help young people in Grand Rapids and Detroit.

What the Ilitch, DeVos and Van Andel families share are deep pockets and a love of professional sports.

Amway co-founder and billionaire Richard DeVos owns the National Basketball Association's Orlando Magic, and the team backed \$100 million worth of bonds issued by the city of Orlando to build the \$480 million Amway Center, which opened last year.

DeVos also supplied \$50 million to help build it and \$1 million in rent each year and \$40 million to put the Amway name on the building.

"The resources are there for the arena to get done," Watkins said. "I'm looking forward to see what the formula will be."

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Additional Facts

Comerica Park

Opened: April 2000

Cost: \$300 million

Capacity: 43,581

Financing: More than 60 percent from private financing, including Detroit Tigers owner Mike Ilitch and a loan from a Japanese bank. Less than 40 percent from public financing, including the dedicated hotel and rental-car taxes

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