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Critics balk at ballpark investment

County treasurer fears business profiting at public expense

By JOHN WILLIAMS
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Enron Corp. Chairman Ken Lay can't help but laugh when he hears critics warn that his company could reap a huge profit off a proposed downtown baseball park.

It's not that the allegations aren't serious — they are.

In essence, warn some, Lay is putting together a group of corporate giants who will invest \$33 million toward a ballpark in order to reap a huge dividend at the expense of county taxpayers.

"It's the usual suspicious people nervous about business in general," Lay said recently in his 50th-floor office in downtown Houston. "We've opened this up to anyone who wants to invest. So if they want to be a part of these huge profits we're supposed to make, then they can."

As part of a last-second effort to keep baseball in Houston, Lay late this summer began soliciting corporations for money to help subsidize sports facilities. Officials with 20 corporations have expressed interest, though Lay will not release the names until their boards of directors give final approval.

The group believes that keeping professional sports in Houston is important. But any money for baseball would be available only if the park were built downtown, as a way to revitalize the central business district.

Going into the venture, Lay and the other businesses had a major concern — they didn't want to make a direct contribution because they feared criticism from stockholders.

So with Harris County Judge Robert Eckels, they fashioned this proposal:

■ The investors will form a general partnership called Houston Sports Facilities Partnership that will give the county, or a sports authority, \$18 million plus \$15 million worth of land for the \$265 million ballpark.

■ In return, the partnership will receive \$33 million in bonds that can earn no interest.

The county or sports authority will repay the bonds only after the useful life of the stadium — after the entity has repaid the debt issued for \$190 million worth of stadium construction that taxpayers will subsidize. The partnership must wait that long for revenues to become freed after they are used to retire the \$180 million worth of bonds.

■ It likely will be 30 years before the partnership receives a payment, the funds for which are expected to come from rental car tax revenues and other money the county hopes to use to help construct the stadium.

■ However, the partnership can repurchase the land at anytime until five years after the useful life of the ballpark, or about 35 years after it opens. In exchange, the partnership must return \$15 million in bonds.

■ Also, the partnership members have first right of refusal to buy seats and luxury suites, and provide services such as naming rights, concessions and advertising.

County Treasurer Don Summers

worries that the partnership is trying to make money off the \$33 million, which he says is far from the contribution that Lay and others are coughing it up.

Summers said that Lay and the others stand to reap a huge profit should the land value under the stadium escalate. If the land value increased just 3 percent annually, it would more than double in price over 30 years, he said.

"They stand to earn a nice return," Summers said.

Lay and Eckels said it will be virtually impossible for the group to make money off the land. While it is true the appraised value of the land should rise as surrounding property values inflate as a result of an expected downtown boom, the land under the ballpark will only earn "a nominal lease" from the Astros.

The only place the increased value of the land would show up would be in the partnership members' corporate books, Lay said. As the land value goes up, the corporations' books would show an increase in assets, he said.

If the group requires the land, it would have to pay at least \$400,000 annually in local property taxes.

If the group keeps the \$33 million in bonds, partnership members would lose roughly \$45 million compared to what could be earned by investing the same amount with a modest 6 percent return annually over 30 years.

Summers complains that there is nothing in the agreement that states the lease will be nominal. "That should be changed," he said.

Meanwhile, Summers and others also have concerns that Lay and his partnership stand to make a profit on surrounding property they might own around the pro-

posed site of the ballpark, on the east side of downtown. Summers also questions letting partnership members have first dibs on naming rights and other services at the park, he said.

"The profit motive worries me," Summers said.

Lay said that Enron owns no land near the site and that to the best of his knowledge, neither do any of the other partnership members. And as for getting first shot at providing services and naming rights at the ballpark, partnership members will pay the same amount as anyone else, he said.

"We're just trying to do what is best for the city," Lay said. "Some people can't understand that."

Three local investment planners told the Houston Chronicle they would not recommend the investment to any of their customers needing a return. None of the three had a financial tie to the proposed ballpark.

"They maybe get back a third of their investment in real dollars — and that's over 30 years," said Art Vitulius, director of the Personal Financial Program at the University of Houston and vice president of Financial Synergies.

"It's OK for someone who has deep pockets who wants to make a charitable contribution, and not anyone who really needs to rely on that money for any living purposes or real needs," he said.

Vitulius said the ballpark deal is too small for partnership members to be spending so much time and effort on it if they wanted a big return. The total assets of the 20 corporations currently involved is more than \$700 billion.

"It's a small blip for a company like Enron, which has about \$15 billion in assets," he said.



Lay