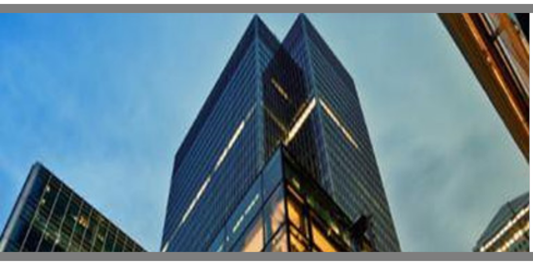
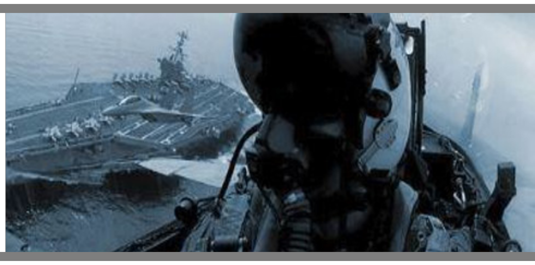
Securitized Products Special Topics

Stadium Finance: Shift to Private Funding Sets the Stage for Securitization





Sports Facilities Poised to Land in ABS and CMBS Pools

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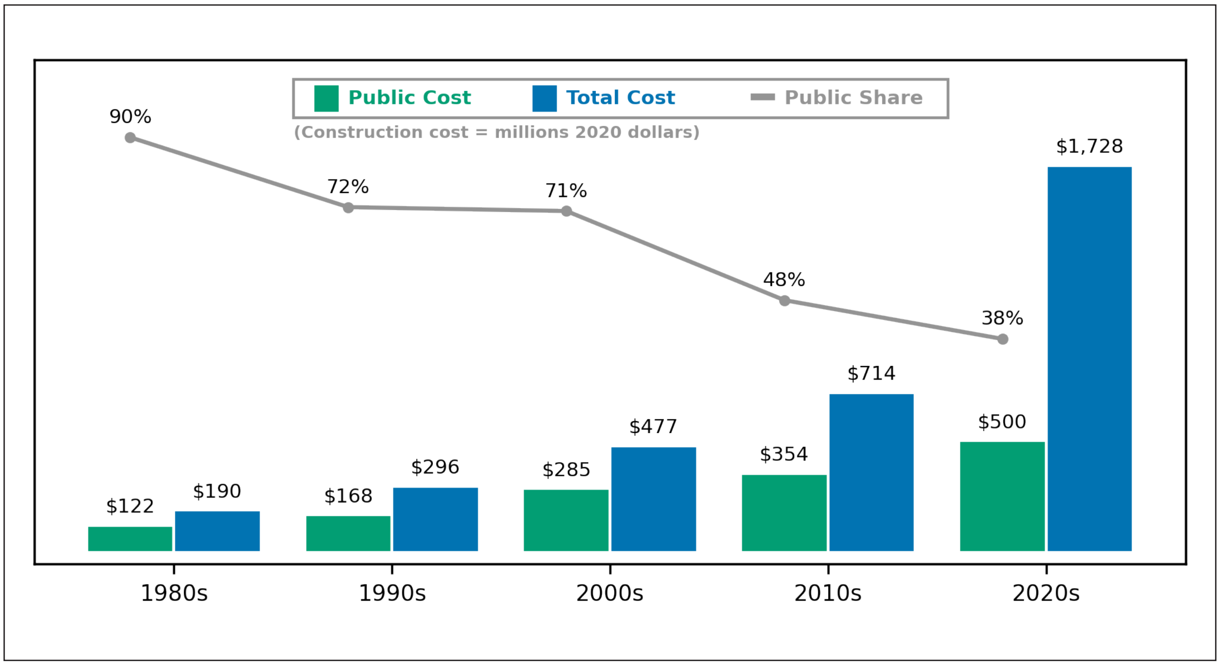
An accelerating momentum to use private funding for sports facility projects sets up investors to see stadium-driven collateral in securitization deals. A rising number of sports teams choose to self-finance stadium renovation or construction, rather than appeal for public subsidies. The latest example is Chicago Fire FC. The Major League Soccer club will privately fund a new downtown stadium to the tune of $650 million. The club owners will do so after Illinois officials balked at requests for subsidies at the site, according to press reports. Chicago Fire's move follows the decisions of other teams, such as New York City Football Club and the Los Angeles Rams, to self-finance their new stadiums. The overall public funding share in financing sports stadiums has steadily declined over the years (Figure 1).

Figure 1. Public and Private Funding for Sports Stadiums



Source: Tax Foundation, Nuveen, and Academy Securities

Public funding can still play a critical role in stadium decisions. States and local governments vary in their support for stadium subsidies. For example, Missouri's Senate Bill (SB) 3 passed just this month authorizes the state to partner with professional sports teams on financing stadiums. The Governor of Missouri's press release notes that SB 3 looks to ensure the state "remains competitive in retaining major sports teams". The new legislation arrives as the NFL's Kansas City Chiefs plans a major renovation to its stadium, and MLB's Kansas City Royals looks to construct a new stadium. The neighboring state of Kansas has been trying to lure both teams. Last month the Royals purchased a distressed CMBS loan, Aspiria Office Campus, to potentially use the underlying 141-acre property in Overland Park, KS, as a new stadium site.[1]

On the flip side, the Washington Commanders is going through a well-publicized struggle to get a $1.1 billion subsidy for its proposed $3.8 billion new stadium. In Illinois, a proposed state bill, dubbed the BEARS Act (HB2969), would require teams to have winning seasons to get public money for their facilities, whether they are newly constructed homes or renovations of existing stadiums. The bill states it is designed to "establish a merit-based framework for determining when tax dollars can be used for public funding of sports stadiums, based on the performance of the teams."

Stabilizing & Expanding Stadium Revenue Sources

The shift to privately fund stadium projects should greatly incentivize owners to tap the securitization markets. Issuers will meet healthy investor appetite. Stadium collateral fits into the market's broader interest in sports securitizations, as we discussed in a previous report.[2] Developments such as private equity firms buying stakes in NFL teams make securitization an attractive approach to monetize sports-related future cashflows. The tail winds are accelerating. Since we published earlier this year, there's been a flurry of news about institutional acquisitions of pro sports teams. Examples include Los Angeles Chargers' sale of an 8% stake to Arctos Partners — the firm's second NFL investment in six months, and the sale of a 6.2% stake in the San Francisco 49ers to three investor groups at an $8.5 billion valuation, the highest ever for a sports team.

Novel, creative stadium-driven revenue sources should facilitate investor interest. For example, stadiums now feature "seat licenses". Fans interested in season tickets must first purchase the right to buy the tickets, or a seat license. Los Angeles Rams licenses can cost as much as $100,000. The actual season ticket is separately priced. All told, licenses, premium seating, corporate suites, and related revenues can underpin a more stable cashflow stream. This reduces sensitivity to volatile noncontractual revenue sources such as game-day ticket sales, concession, and merchandise.

We also expect greater focus on non-league events in new or renovated stadiums. This should prop overall facility revenues. Football stadiums in particular appear under-utilized. NFL stadiums host an average of just four non-league events a year, according to academic studies. The Commanders' current home, for example, hosts about 10 games and a similar number of other events, like concerts, each year. In comparison, baseball stadiums and indoor arenas often host 100 events a year.

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1 "BOLT: Liquidation Confirms Priority of Shortfalls Recovery Over Principal," CMBS Credit Focus, Academy Securities, June 2, 2025

2 "Sports Securitization: Gear Up to Vet League Revenues and Stadium Cashflows," Securitized Products Special Topics, Academy Securities, February 18, 2025

Interestingly, both proponents and opponents of public funding for stadiums may use stadiums' low utilization rate to advocate their case. New or renovated stadiums may facilitate much higher utilization. But the jury is still out on this. Current utilization rates bode ill for optimistic revenue projections underpinning subsidy requests. Further, non-league events introduce cashflow volatility. The extreme case is facilities operating a calendar entirely of concerts and other events. These "non-anchor tenant facilities" do not have a sports team as anchor tenant. As facilities incorporate a greater percentage of contractually obligated income (COI) streams, including for non-league events, cashflow predictability should increase.

Stadium Collateral Can Fit Both ABS and CMBS, Like Data Centers

Investors may see stadium collateral popping up in both ABS and CMBS deals. Facility revenue owners may structure the cashflows in a way that fits either ABS' master trusts or CMBS' REMIC. This would echo data center collateral, which backs both ABS and CMBS.[3] Data center operators now regularly shift between ABS and CMBS execution for their portfolios. Examples include Blackstone's QTS, sponsoring CMBS "VLT" deals and more recently QTS 2025-1/2 ABS deal. Switch sponsored SWCH 2025-DATA CMBS deal this year, and SWTCH 2024-1/2 ABS deals last year.

Figure 2. Select CMBS and ABS Structural Differences

	CMBS	ABS
Legal Structure	REMIC	Master Trust
Transaction Concept	Sale-leaseback	Operating business
Trust Collateral	First-lien mortgage with assignment of leases and cash flows	Direct ownership of real property and first-lien mortgage loan with assignment of leases and cash **flows**
Source of Funds for Debt Service	Debt service payment on mortgage	Cash flow from properties

Source: KBRA and Academy Securities

In CMBS, sports facility owners may execute sale-leaseback deals. The lease payments will service a mortgage pooled into a REMIC structure. Sports facility lease agreements appear common. We see such arrangements in stadium public financing, where a municipality leases a stadium it owns to a sports team. For example, MLB's San Diego Padres leases its home venue, Petco Park, majority owned by the City of San Diego. Leasing revenues backed public financing deals of the city. In turn, outstanding CMBS deals include quite a few sale-leaseback situations, such as Staples Headquarters ($90 million, CGCMT 2020-GC46, BMARK 2020-B17, and JPMDB 2020-COR7) and CH2M Global Headquarters ($76.1 million, GSMS 2017-GS6 and GSMS 2017-GS7).

3 "Data Centers: A Strong Segment Juggles ABS and CMBS," Securitized Products Special Topics, Academy Securities, October 4, 2022

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Music ABS: Pool Variations Emerge Amid Constructive Sector View

Tower ABS: Tenant Preferences Bode Well for Leasing Demand

Aircraft ABS: Momentum Builds for Insurance Booster

Data Centers: Tenant Rosters Poised to Change

Container ABS: Geopolitical Tailwinds as Issuance Picks Up

Gas Securitization: Shorter WAL Alternative to Electric Charge Deals

Net Leases: Scarcity Value as Issuance Poised to Pick Up

Recovery Bonds: Deal Reporting Shows True-Up Adjustments Potency

Data Centers: Performance Wrinkles to Test Operators' Role

Recovery Bonds: Diversifying Exposure Moves Beyond Disasters

Device Payment ABS: Expect Stable Performance as Collateral Evolves

Aircraft ABS: Waterfalls Playing Catch-Up as Fundamentals Recover

Data Centers: Teakeaways from 2023-Vintage Deals

Litigation ABS: Tailwinds in Place for an Uncorrelated Segment

Equipment ABS: Pick Your Spots Amid Diverging Collateral Trends

Commercial Solar ABS: Emergent Segment to Alleviate Headline Risks

Cell Towers: Lender-Friendly Features Dovetail with Secular Tailwinds

Timeshare ABS: Exposure to Favorable Hospitality Segments

Recovery Bonds: No Need to Closely Watch the Fed or the Economy Here

Data Centers: A Strong Segment Juggles ABS and CMBS

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Investor Non-QM: Pockets of Value as Underwriting Tightens

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OC Triggers: Subtle Thresholds Come to the Fore As Collateral Stress Builds Up

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Transitional Multifamily: Collateral Migration Away from CRE CLO Offers Different Deal Profile

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Multifamily Prepays: Property Sales Trigger Paydowns

Manufactured Housing: Resilient Segment Amid Potential Multifamily Softness

Tender Offers: Expect More to Come, Though Not on a Predictable Schedule

NYC Multifamily: Rent Increases to Support Cashflows Amid Regulatory Restrictions

Housing at a Crossroads: Single-family and Multifamily Exposures

Senior Housing: Focus on Segment Selection Amid Pandemic Impact

Disaster Performance: Pandemic Forbearance Resolutions Bode Well for Future Stresses

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CMBS Credit Focus:

BOLT: Liquidation Confirms Priority of Shortfalls Recovery

Office Receiverships: Gauge the Value of Changing Management

Litigation Holdbacks: Long Gone Loans Keep Haunting Trusts

Privileged Appraisals: Surprise ARA Jumps Baffle Investors

Office Re-defaults: Foreclosures to the Fore as Modified Maturities Near

Interest Adjustments: Track Shortfalls Repayment and Priority

New Leases: Track Post-Issuance Replacement Tenants

Property Protection Advances: Track Opaque Expenses in Long Workouts

Parkmerced: Abundance of Structural Angles to Determine Bond Cashflows

Pro-rata Prepays: Surprise Booster for Subordinate Bonds

PILOT: Check Another Wrinkle of Ground Leases

Non-Trust Debt: Check the Seniority of Your CMBS Collateral

Recovering Shortfalls: Credit IO Value in Distressed Office

Releasing Holdbacks: RENT is Writing Up Bonds

Reserves vs Advances: Servicers Tap Reserves to Lower Advances

Forward Forbearances: One Market Plaza Introduces a Twist to Mods

Loan Assumptions: Watch Waterfalls as New Borrowers Redevelop

Holdbacks: RENT in the Limelight, as Other Cases Brewing

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Special Servicer Replacements: 1740 Broadway Crystalizes Implications

Crossgates Liquidation: Holdbacks Complicate Severity Projections

WODRA: Bond Cashflows Under Stress in Post-Mod Advance Recovery

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