

Ohio County Stadium Debts Force Government To Sell Hospital, Raid Savings

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If Hamilton County officials in Ohio were to post a sign outside Drake Center, a Cincinnati hospital the county plans to sell this week, the pitch might strike potential buyers as a little desperate:

For Sale: physical rehabilitation hospital, valued in 2006 at nearly \$30 million, available for \$15 million cash this week. Must sell immediately. Local government has bills to pay.

Nearly 20 years after county officials promised that public financing for a pair of professional sports stadiums would help usher in a new era of economic vitality, the reality is somewhat different. The county's agreement to build new stadium facilities for the Cincinnati Bengals and the Cincinnati Reds has been described as "[one of the worst professional sports deals ever struck by a local government](#)" by the *Wall Street Journal*. Now, the county is poised to sell Drake Center at a price that critics say is far too low, just to cover one year of stadium debts and related promises. Even the planned sale won't stop the county from having to raid its rainy day fund [to cover a \\$1.4 million budget shortfall](#).

"I don't think the commission would describe it this way, but what we seem to be getting are a bunch of made-up last-minute excuses to justify what is basically [a fire sale](#)," said Dusty Rhodes, Hamilton County's auditor.

Other county officials and a spokesman for UC Health, the Cincinnati nonprofit buying the hospital, insist the deal is more than fair. UC Health has operated the facility for years under a lease agreement with the county and has paid the debt associated with some improvements made at Drake. A deal reached in 2006 gave the nonprofit the option to buy the facility, and called for UC Health to pay \$27 million if it purchased the property in January 2012. Now, UC Health will

pay a little over half that amount, and plans to operate a five-year \$1.2 million program to prevent early childhood deaths and tackle other public health challenges.

UC Health officials say they have the expertise to run the hospital and address public health needs. But no one denies the real reason that the hospital is up for sale now: the county's financial problems.

Cutting The Budget To The Bone

Ohio plans to slash the funds it sends to local governments by 65 percent by the end of next year, Rhodes said. The housing market collapse and recession depressed other sources of county revenue. Hamilton County responded by eliminating about \$47 million from its annual operating budget, cutting employees and scheduled pay raises, closing an 820-bed jail and slashing deeply into social services.

For the first time last year, Hamilton County did not have enough sales tax revenue to cover the bill for the pro football and baseball stadiums in downtown Cincinnati, the annual schools tab and the full property tax rebate promised to voters who approved the financing for the pro-sports facilities. There was enough money for the first two items, but the county could only provide homeowners a partial tax discount.

In October, there was more bad news. Hamilton County would face the same problem again in 2012. County officials drafted a plank which called for the county to spend \$6 million, rather than \$24 million, to maintain and upgrade the two stadiums. Taxpayers would get partial property tax discounts until at least 2015.

"I happen to think the promise made to people who own homes in this county also matters," said Hamilton County Commissioner Todd Portune, a Democrat who, when he was elected in 2000, became the first Democrat to sit on the county's three-person commission in almost four decades. "A promise is a promise. Beyond that, how would we ever garner public support for bond issues [to finance such deals] again if the county does not keep its promises?"

Portune, who is up for reelection this year, objected to aspects of the county's proposed financial fixes and worked with Commissioner Chris Monzel, a Republican, who has long called for the county to offload Drake Center. With two of the county's three-member commission behind the hospital deal, Hamilton County's red-tag sale began.

The Allure Of Stadium Deals

Things weren't supposed to work out this way.

In the 1990s, mid-sized cities around the country were investing public dollars in new stadiums or renovating existing facilities to hold on to their pro sports teams. Public officials described the stadiums as sure bets destined to bring new businesses, jobs and tax revenue to communities, said Neil de Mause, co-author of "Field of Schemes," a book that takes a tough look at public

financing of sports facilities. Similar arguments are being made right now in cash-strapped cities such as Minneapolis, Santa Clara, San Jose and Sacramento, Calif., he said.

"What people don't see or hear around all the talk about economic activity is that most, if not all, the financial risk involved with these deals winds up with government entities," said de Mause.

Nearly two decades ago, Hamilton County officials hatched a plan to build not one but two stadiums -- the Bengals' Paul Brown Stadium and the Reds' Great American Ball Park -- for \$540 million.

In 1996, there was such strong support for the idea that 61 percent of Hamilton County voters approved a half-cent sales tax increase, said Troy Blackburn, a Bengals vice president. The new tax revenue was supposed to cover the debt the county would take on as it helped to build the stadiums. It would also cover a \$5 million annual payment to area schools and a 30 percent property tax discount for Hamilton County homeowners.

That plan assumed that sales tax revenue would grow at least three percent each year. Instead, between 1997 and 2011, sales tax revenue growth has averaged about 1.5 percent, said Rhodes, the county auditor. And when the total bill for building the two stadiums and parking facilities came it, it tallied up to \$875 million, he said.

After voters approved the sales tax increase, sitting county officials struck two very different deals with the Bengals and the Reds, with favorable terms for the teams, said Portune, a commissioner. Another commissioner who helped to negotiate the deals later took a job with the Bengals.

Reds officials issued a written statement to The Huffington Post about the county's financial situation:

"The Reds have made meaningful financial contributions to ballpark improvements which have reduced the County's expenditures."

Blackburn, the Bengals executive, disputed Portune's claim that the team has been unwilling to compromise now that Hamilton County is in trouble.

Late last year, the Bengals agreed to the basic outline of the county's proposed financial fixes. However, Blackburn's written response to the county commission's proposal also made clear that the team wouldn't renegotiate the Bengal's entire contract. And should the annual increase in stadium sales tax revenue top the three percent mark, the Bengals wanted the county to divide the extra money between the two stadiums. The hospital sale renders the whole plan moot, Blackburn said.

"I think any statement that implies the county's current financial situation is the fault of the Bengals is not based in fact," said Blackburn. "The reason that Hamilton County is facing its current problems is what even [County Auditor] Dusty Rhodes has described as 'mission creep.'"

Blackburn is referring to the fact that over the last decade, the county has tapped the stadium sales tax revenue to cover the cost of other projects, of the kind in which government is typically involved. The commission approved a \$70 million contribution to a highway project and \$100 million to a riverfront development. It also bumped the annual schools payment up to \$10.2 million.

Hamilton County's financial situation may be difficult right now, Portune said. But next year, the government is taking a chance on a new source of expected revenue -- a casino.



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