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LeBron or Not, the Cleveland Cavaliers Get Millions for Arena Renovation

By **Michael Powell**

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Northeast Ohio offers a tale of two legacies.

LeBron James departed for Los Angeles earlier this summer and left behind a spectacular gift for his hometown Akron, Ohio: a new elementary school for at-risk children and tens of millions of dollars for college scholarships.

An hour's drive to the north, the Cavaliers lost that same superstar. But Dan Gilbert, the team's billionaire owner, and N.B.A. executives can take solace in having capitalized on James's success to pull off a perfectly legal shakedown of a not-so-economically-healthy city.

With arm-twisting and attacks on ministers and community organizers and hints that they just might depart, the Cavaliers and their allies last year persuaded county and city governments to underwrite most of a \$140 million upgrade of the team's Quicken Loans Arena.

The journalist Sam Allard of Cleveland Scene has put this deal under a microscope, and he noted a nice bit of synchronicity: On the same day James signed his four-year deal with the Los Angeles Lakers, Cuyahoga County made its first payment on the arena, forking "more than \$4 million over to investors yesterday, beginning a 17-year repayment schedule."



Quicken Loans Arena may not have the same appeal now that LeBron James is a Laker.
Justin K. Aller/Getty Images

So it goes with that peculiarly American institution known as stadium socialism. As a postmodern Karl Marx might write: Team owners of the world unite; you have nothing to lose but the public's money.

Aspects of the financing look a touch shaky. City and county leaders plan to use a portion of the tax on Cavaliers playoff tickets to help pay off the arena bonds. That looks like a dodgy bet right now as the Cavaliers, shorn of James, may not even make the playoffs.

The Cavaliers advise no worries. They say they will front the money if the city and county have a shortfall — so long as the money is paid back to the team later. Further, they have argued that money poured into the arena has seeded the rebirth of the downtown, and that public funds are being used to upgrade and update public arenas.

Cleveland is a pleasant lakeside city, and some of its neighborhoods and the downtown corridor have experienced a handsome revival. Its coffers are not overflowing, however, and a majority of citizens and neighborhoods barely scrape by. Cleveland's poverty rate stands at 36.2 percent. More than half of its children live in poverty. The infant mortality rate is three times higher than that of New York City.

As for Cuyahoga County, 18.3 percent of its residents live in poverty, above the national rate. It is also \$1 billion in debt. The county executive Armond Budish declared in 2016 that "our credit card is maxed out." He ruled out more county spending projects.

Not so long after that he endorsed the arena deal.

Mayor Frank G. Jackson pushed the arena deal through the City Council and beamed afterward. This deal, he said, is "one of the best I've seen in my 27-year career in public office."

Best sports deal is an intriguing term of art in Cleveland, which over the years has poured roughly \$800 million of public money into its stadiums and arenas. Gilbert and his comrade sports billionaires — Jimmy Haslem, who bought the Browns and the existing deal for Browns Stadium in 2012 from the Lerner family, and Larry Dolan, owner of the Indians — control nearly all revenues reaped at these public buildings, and receive many tens of millions of dollars for naming rights.

A few years ago, the owners joined to push a referendum to persuade voters to extend a countywide sin tax on cigarettes, beer and liquor. That effort cost the owners a small bag of dough, about \$3 million.

It was the wisest of investments.

The referendum passed, and it will sluice \$262 million into a fund to polish the stadiums. Will Tarter, a public-spirited budget analyst, recently examined this fund and found that Cleveland's teams were pulling down on that money with startling rapidity. The Cavaliers will soon burn through well over half their 20-year allotment.

No worries. There's always more money where that came from.

I should note that Gilbert takes pride in his good works: The Cavaliers run a literacy program, underwrite a modest scholarship program and give away a fair number of tickets to local children and sort of hold down ticket prices. To help sell the arena rehabilitation, the Cavaliers agreed to refurbish basketball courts in 22 community centers.



The Cavaliers made the N.B.A. finals the last four years in a row. A fifth seems unlikely.
Andrew Spear for The New York Times

That builds a future market, and that's grand. The bigger play, however, is drawing down the big public dollars.

Cleveland voters are not passive observers having their pockets picked. City residents voted thumbs down on the sin tax, which passed on the back of votes from better-heeled precincts of Cuyahoga County.

This brings us to the Quicken Loans upgrade saga. A peripatetic lawyer and activist, Peter Pattakos, fought against the tax. When he heard that the Cavaliers were circling back to the public dining table to fix the arena, he got busy.

Greater Cleveland Congregations, an ecumenical group of churches and synagogues affiliated with the Industrial Areas Foundation, perhaps the nation's finest organizing group, took to the streets. If we're to underwrite this arena, the congregations said, Gilbert should agree to pour an equal sum into community services.

City law allows for a referendum if 6,000 citizens sign petitions. The congregations and labor and community allies came in with 20,603 signatures. But when they walked the petitions into the council clerk, she refused to accept them.



Cleveland has made a comeback the past two decades, but many of the city's residents still live in poverty. Andrew Spear for The New York Times

No, no, please, go away.

Pattakos quickly filed a lawsuit in State Supreme Court, arguing that the council had no choice but to accept legal petitions.

Cleveland's powers-that-are waxed furious. To talk of a referendum, the Cavaliers' lawyers argued in a brief, is "nonsensical. It is a done deal." Opponents were demonstrating their "lack of understanding of this complex web of agreements."

A who's who of wealthy worthies supported the Cavaliers, their legal briefs brimming with harrumphs.

The Ohio Supreme Court rejected these arguments and ordered the council clerk to accept the petitions on the novel legal principle that the law is the law. More fury followed. Gilbert announced that he would pull out of the deal. The N.B.A., which in city after city acts as a partner in these arena shakedowns, said it could not entertain Cleveland's bid to host the 2020 or 2021 All-Star games.

Powerful people called board members of synagogues and churches in Greater Cleveland Congregations. Democratic Congresswoman Marcia Fudge accused the group of "strong arm tactics" that have "no good place in community organizing." The local paper, the Cleveland Plain Dealer, did a hair-on-fire dance on behalf of Gilbert.

Not long after, the congregations cut a sad little deal for a couple of mental health centers and withdrew their petitions. Cleveland was safe again for sports billionaires. "It underlines how much corporate money has changed the way laws and policy are made in this country," Pattakos says.

There is only one near certainty: Long before the bonds are paid off, the Cavaliers will demand a new arena and the dance will start all over again.

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