

VALUES & DATA FROM THE OWNERS' BOX: ST. LOUIS CITY SC AND THE BALANCE OF PURPOSE AND PERFORMANCE

A WASHINGTON UNIVERSITY CASE COMPETITION

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INTRODUCTION

At the midpoint break of the season, Carolyn Kindle, CEO of St. Louis CITY SC, had a hard time finding anything to complain about, given the club's performance. Halfway through the Major League Soccer (MLS) club's inaugural season, they had already tied the record for the most wins to start a season as an expansion team, sat atop the Western Conference standings, sent two players to the All-Star Game, and were near the top of the league in club revenue.

Moreover, from the broader perspective of soccer in the US, their launch timing could not have been better. The next three years offered three major soccer championships in the US, with Copa América in 2024, the Club World Cup in 2025, and the FIFA World Cup in 2026. Each opportunity offered potential buoyancy for soccer fandom nationwide and the MLS teams that called the US their home. Furthermore, the 2023 10-year Apple TV deal with the MLS brought streaming access to games across the globe in ways that had not been possible with previous linear TV broadcasting contracts. To many watching from the packed stadium of CITYPARK in downtown St. Louis, one could not ask for a better start to Kindle's leadership of the new team.

At the same time, Kindle knew there would be challenges moving forward. Earlier last month, Inter Miami CF announced the signing of seven-time Ballon d'Or winner and World Cup Champion Lionel Messi. Bringing one of the greatest players of all time to the US had already accelerated much-needed visibility to the league, as reflected in the doubling of MLS season pass subscribers on Apple TV.¹ But would a shuffling of the global decks of talent also change the dynamic of MLS competition and the route toward club financial sustainability? A race for talent at any cost might work for teams with oversized budgets. Still, even a top MLS club like LAFC had revenue (\$116 million in 2022) and profit numbers (\$8 million)² that were dwarfed by the \$1.1 billion Saudi Arabia club Al Hilal had just

¹https://twitter.com/Jorge_Mas/status/1689758782828556288

²<https://www.forbes.com/sites/justinbirnbaum/2023/02/02/major-league-soccer-s-most-valuable-clubs-2023-lafc-is-the-first-billion-dollar-franchise/?sh=52e928915324>

offered soccer superstar Kylian Mbappé. Would Kindle and her competitors feel pressured to find their version of a Messi-caliber player, and was this judicious given the recent acceleration of global bidding for talent? Not far from Kindle and her leadership team's mind was that MLS' precursor, the North American Soccer League, toppled into bankruptcy in a similar race for talent after the arrival of Pelé in 1975.

And perhaps more importantly, the Taylor family's involvement in MLS had never been about club performance or investment return alone. The family, of which Carolyn is a part, hoped this club would drive the region's economic development while supporting a broader platform for community pride and civic engagement. While the team had made great strides in the first year—having founded free youth development soccer programs and attracted a devoted fan base, amongst other things—Kindle was well aware of the challenges of driving forward progress in a middle-market city seen by many to be caught in a cycle of reputational decline and dwindling population.

As Kindle looked beyond the first year, the need to be creative about balancing purpose and performance had never been more acute. The ownership group would have to be crafty as they planned for the next phase of the club's development.

THE HISTORIC POTENTIAL AND FALSE STARTS OF PROFESSIONAL SOCCER IN ST. LOUIS

As a river city in the middle of the US, St. Louis boasts a long, rich soccer history. In the mid-1800s, more than half of the St. Louis population was foreign-born, and immigrants brought the popularity of soccer with them.³ St. Louisan Thomas Cahill was the first coach of the USA national team and was influential in developing professional US soccer.⁴ As a son of Irish immigrants, Cahill grew up in the Carr Square neighborhood,⁵ close to present-day stadium CITYPARK. In the famous USA upset over England in the 1950 World Cup, five starting team players were St. Louisans from the Italian neighborhood, The Hill.⁶ Every US World Cup team since has had at least one St. Louisan.

But despite this deep history, by the mid-2000s, the city had yet to form a team in the modern league. In 2007, about a decade after MLS launched, an investor group sought to bring Utah's Real Salt Lake franchise to St. Louis and felt confident about their prospects.⁷

³<https://gazellemagazine.com/st-louis-love-affair-soccer-heart-soccer-city-exhibit/>

⁴<https://www.riverfronttimes.com/news/the-st-louis-man-who-invented-soccer-39705468>

⁵<https://www.riverfronttimes.com/news/the-st-louis-man-who-invented-soccer-39705468>

⁶<https://www.youtube.com/clip/UgkxRXRLH2DANdXUjLY97Qvpl3Wm652BK9TN>

⁷<https://archive.sltrib.com/article.php?id=5141310&itype=NGPSID>

In response to this potential loss, however, the state of Utah provided public funding for a stadium in Sandy, and the team remained in Utah.⁸

The next attempt came from an investor group led by Boston Celtics co-owner Paul Edgerley and supported by St. Louis natives Jim Kavanaugh and Dave Peacock,⁹ a proposal that relied heavily on public financing. An April 2017 election captured a vote around the public finance component, where Proposition 2 would have allocated \$60 million of public funding to build a soccer stadium. The investor group's campaign spent \$1 million to secure 20,000 favorable votes, an investment they thought should carry the measure.

But despite the region's excitement about the prospects of a professional club, the feelings toward one funded by public finance and led by an external ownership group were decidedly more mixed. The recent exit of the NFL team, the Rams, from St. Louis may have colored voters' disfavor of public financing. In 2016, the Rams returned to Los Angeles, leaving local governments with lost tax revenue, remaining debt, and the high costs of upkeeping a vacant stadium.¹⁰ The Rams issued a statement on their exit, saying, "Compared to all other US cities, St. Louis is struggling."¹¹

The historical divide between St. Louis City and St. Louis County also did not help. City residents could perceive a lack of county involvement as funding an amenity many wealthy county residents would enjoy. In contrast, county residents might oppose supporting an amenity in the city that would not directly benefit their businesses and government.

In the end, while the ownership group exceeded the target of 20,000 votes by capturing roughly 27,000 yeses, an unexpectedly high turnout meant that this measure was voted down by approximately 30,300 votes against the measure. The highest opposition rates came from predominantly Black wards in the northern part of the city. The measure was also unpopular with older conservative voters and progressive activists, albeit for different reasons. The companion ballot, measure Proposition 1, which raised taxes in part to fund the stadium, passed, and tax dollars could now be used for other city services. Following the failed measure, the investor group disbanded with no backup plans for financing.¹²

A NEW OWNERSHIP GROUP EMERGES

⁸<https://www.deseret.com/2017/12/4/20636791/questions-linger-about-decade-old-real-salt-lake-stadium-deal#:~:text=%E2%80%9CUTah%20soccer%20was%20handed%20a.million%20in%20bonding%20from%20Sandy>

⁹<https://www.sportsbusinessjournal.com/Journal/Issues/2023/02/13/In-Depth/mls-preview.aspx>

¹⁰<https://www.reuters.com/article/us-sports-nfl-stadiums-insight/with-nfl-rams-gone-st-louis-still-stuck-with-stadium-debt-idUSKCN0VC0EP>

¹¹<https://news.stlpublicradio.org/sports/2021-11-24/st-louis-city-and-county-score-hundreds-of-millions-in-rams-settlement>

¹²https://www.stltoday.com/news/local/metro/large-turnout-in-st-louis-defeated-the-soccerstadium/article_7be2fcd4-52f9-5291-b05a-74bbbc330e04.html

In 2018, a new group of potential owners emerged. The Taylor family recognized the potential for professional soccer in St. Louis and brought in Jim Kavanaugh, co-founder and CEO of World Wide Technology and a member of the previous proposal. The Taylor family's wealth came from starting and growing the rental car conglomerate Enterprise Holdings. This project would not be the Taylor's first experience in professional sports. When the Rams started publicly discussing the leaving of St. Louis, the city attempted to keep them here by proposing a newly built stadium along the Mississippi River, with the Taylor family committing National Car Rental as the naming sponsor.¹³ Furthermore, some members of the ownership group were minority owners in the St. Louis Blues professional hockey team.¹⁴ But founding a club was distinct from supporting existing efforts, a challenge that would be especially acute following the fits and starts of the previous efforts.

In putting together the bid, the ownership structure was distinct from previous local bids and national peer teams. For one, this would be the first and only majority female-owned team in the league's history, a factor that was attractive to the league leadership. It was also one of few MLS teams that did not rely on public financing. Finally, the owners' motivations beyond the group structure appeared somewhat distinct. The ownership group represented families from St. Louis and committed to St. Louis, which assuaged some of the fear of transient ownership fresh off the Rams' exit to Los Angeles.

Here are Kindle, Andy Taylor (second-generation leader of Enterprise and current chairman of the company), and Lee Broughton (husband of current Enterprise CEO Chrissy Taylor and chief brand architect of CITY SC) talking about the motivations behind this work:

Core to this project was a drive toward purpose through economic and community impact on the region. At the same time, these economic and cultural goals were not purely philanthropic projects, so there would need to be return expectations and performance on the pitch. The balance of purpose and performance was imperative.

On August 20, 2019, MLS announced that St. Louis would be home to the next expansion team for a then-record-breaking fee of \$200 million. In this announcement, MLS Commissioner Don Garber offered admiration for the group: "Their vision for what they were trying to do in the city really aligned with what we were hoping to achieve with an MLS expansion team. I could not ask for a more aligned ownership group than the Taylors and Carolyn Kindle and the rest of their family."¹⁵

¹³https://www.stltoday.com/sports/football/professional/under-cover-of-darkness-the-inside-story-of-how-the-rams-worked-the-nfl-and/article_0df390b8-40d5-5ead-b78b-779cb5187f9e.html

¹⁴<https://www.sportsbusinessjournal.com/Journal/Issues/2023/02/13/In-Depth/mls-preview.aspx>

¹⁵<https://www.sportsbusinessjournal.com/Journal/Issues/2023/02/13/In-Depth/mls-preview.aspx>

But moving from vision to reality was never going to be easy. While the Taylors were committed to balancing purpose and performance, they were not naive to the challenges that faced their new venture into professional sports and civic development.

MAPPING PURPOSE AND PERFORMANCE ONTO THE ST. LOUIS LANDSCAPE

The Reinforcing Residential and Business Population Decline and Unevenly Distributed Outcomes

The City of St. Louis reached its peak population of 850,000 residents in the 1950 census. By 2021, that population had fallen to just under 300,000, with the white population decreasing by 80% as many moved to the suburbs.¹⁶ This dip had a significant impact on the regional “brain drain.” Every year since 2010, St. Louis had suffered a net loss of people aged 25 or above with a bachelor's degree or higher, with net losses ranging from roughly 500 to 3,000 people per year. While the broader St. Louis metro held over 2.8 million inhabitants, a shrinking urban core and the growing talent gap were hard to miss, as were its impact on the regional reputation.

Alongside the residential population, the downtown core had also lost much of the business presence for which it was previously known. From 2019 to October 2022, the downtown neighborhood experienced a net loss of more than 500 businesses.¹⁷ While the pace of this decline had decreased in 2022 with a loss of only 20 businesses, the momentum was still not in a positive direction.¹⁸

The drain of people and companies from the city and the corresponding tax dollars they represented also increased the strain on city services. One such example was on education, given that 60% of property taxes went to public schools.¹⁹ In St. Louis Public Schools, students, on average, scored two grade levels lower than the US average on standardized tests in math and reading,²⁰ and 20% of district students qualified as unhoused.²¹ The challenge of population decline and underperforming and underpopulated schools was creating a negative feedback loop in how poor-performing schools accelerated population

¹⁶https://www.dissentmagazine.org/online_articles/closing-doors-race-and-opportunity-in-st-louis-schools/

¹⁷Business decline was assessed by analyzing change-of-address data from the US Postal Service for the zip codes that make up the downtown area, including zip code 63103, where the soccer stadium is located.

¹⁸<https://www.bizjournals.com/stlouis/news/2023/01/26/downtown-st-louis-lost-542-businesses-2019-2022.html>

¹⁹https://www.stltoday.com/news/local/metro/school-closures-revive-debate-on-st-louis-tax-incentives/article_a6ca71b1-e3de-5cf2-93db-2f1b9b8b9af9.html

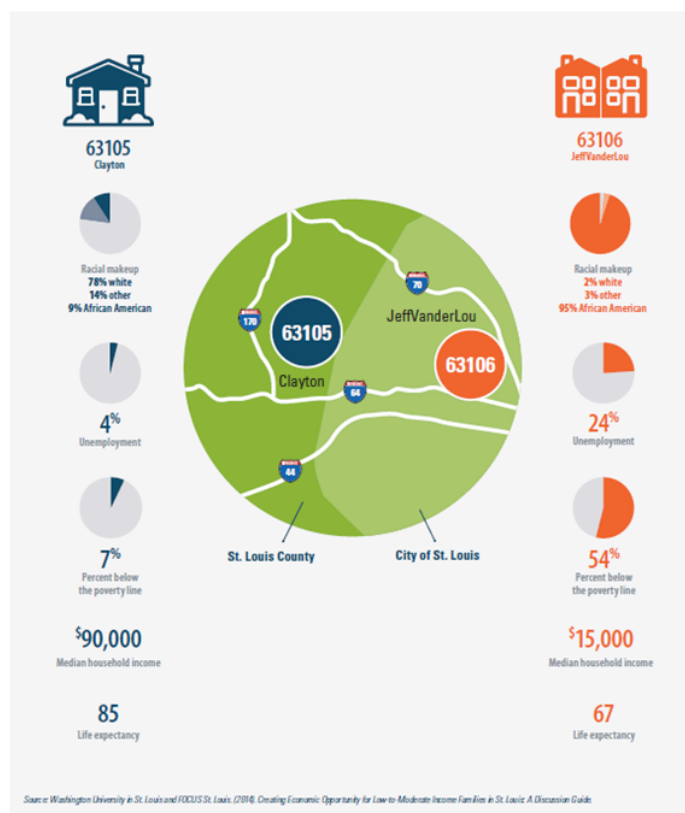
²⁰https://www.dissentmagazine.org/online_articles/closing-doors-race-and-opportunity-in-st-louis-schools/

²¹<https://news.stlpublicradio.org/education/2023-06-07/st-louis-college-kids-program-has-boasted-big-aims-but-see-little-growth>

decline, and population and tax-base decline further undermined already poorly performing schools.

Across all these factors—from population and business decline to access to high-performing public schools—the impact was most directly felt by the city’s poorer and often African-American communities. A report titled “Segregation in St. Louis: Dismantling the Divide” succinctly stated it most directly: “The effect of segregation has been to systematically exclude African American families from areas of opportunity that support positive economic, educational, and health outcomes.”²² In comparing an inner-ring wealthy suburb like Clayton, Missouri, with the Jeff-Vander-Lou neighborhood near CITYPARK, the contrast was stark in both the unemployment rate (4% versus 24%) and the median household income (\$90,000 versus \$15,000), amongst other key outcomes.²³

Figure 2. The differences between 63105 and 63106 are numerous, but perhaps most noteworthy are the very different concentrations of affluence versus poverty and the racial composition of each place despite being less than 10 miles apart.



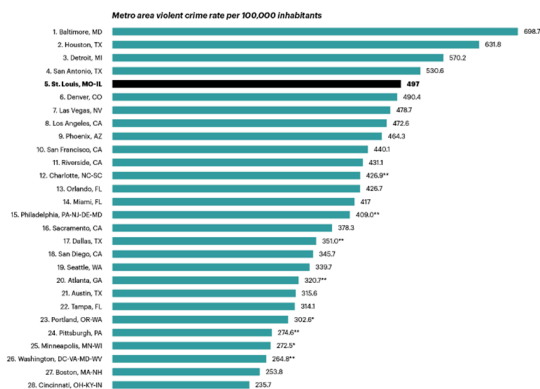
²²<https://bpb-us-w2.wpmucdn.com/sites.wustl.edu/dist/3/1454/files/2018/06/Segregation-in-St-Louis-Dismantling-the-Divide-22ih4vw.pdf> (p.4)

²³<https://bpb-us-w2.wpmucdn.com/sites.wustl.edu/dist/3/1454/files/2018/06/Segregation-in-St-Louis-Dismantling-the-Divide-22ih4vw.pdf>

An Earned but Perhaps Outsized Reputation for Crime?

The City of St. Louis' reputation for high crime was long-standing inside and outside the region. According to the *St. Louis Business Journal* survey, "Advance STL," 89% of respondents stated that crime and the region's reputation were the top barriers to progress. When the ownership group received approval for the project, the City of St. Louis ranked number nine on the world's list of highest murder-rate cities.

Closer attention to these statistics, however, shows a more nuanced picture.²⁴ Because of a relatively small geographic boundary, the city population accounts for just over 10% of the larger metro but a disproportionately high amount of its crime; as such, crime per capita for the city looked relatively higher than many of its peers across the country. Reframing that number as a ratio of crime in the region told a drastically different story, with St. Louis ranking similarly to Denver. The absolute crime numbers had also improved over the last few years. Since peaking in 2017 before rising again like many US cities in 2020 in tandem with the COVID-19 public health crisis, violent crime in 2022 was down almost 35% from the previous decade's peak.



NOTE: Data is from latest "Crime in the United States" reports from the Federal Bureau of Intelligence. 2020 data is used in most cases, but 2019 and 2018 data were pulled in when more recent data was not available. *** represents 2019 data and **** represents 2018 data. Data for New York and Chicago weren't included for any of those periods.

SOURCE: Uniform Crime Reporting Program, Federal Bureau of Investigation

ST. LOUIS' VIOLENT CRIMES

Around the country, violent crime peaked in 2020 amid the COVID-19 pandemic. City of St. Louis crime mirrored this trend. Violent crime reported by city police rose steadily from 2018 and hit a peak in 2020, but declined by 20% in 2021 and another 13% in 2022.



NOTE: According to the Federal Bureau of Investigation, violent crime consists of murder (consisting of murder and non-negligent manslaughter), robbery, aggravated assault and rape. One crime is counted for each victim.

SOURCE: Missouri State Highway Patrol, Criminal Justice Information Services

But despite these changes, the reputation held firm. As University of Missouri-St. Louis criminologist Richard Rosenfeld stated:

²⁴According to Richard Rosenfeld, criminologist at University of Missouri-St. Louis, comparing violent crime rates against other metropolitan regions provides a more accurate representation of the problem because it accounts for the greater population of county residents that visit the city and face crime but do not get included in the denominator for the city.

“A serious crime that occurs downtown is widely reported. An equally serious crime that occurs in an already high-crime neighborhood, say on the north side of the city, does not receive the same focus from the media.”²⁵

As such, the reputational impact of crime still had an objective effect on the city population and the potential willingness to head downtown for a game.

THE DEVELOPMENT OF A DOWNTOWN WEST STADIUM

With these challenges in mind, the ownership group sought out spaces for the stadium. Given the size requirements of colocating the stadium, practice fields, and headquarters (a unique decision for professional sports), one promising space was a vacant plot of land in a part of the city called Downtown West. This area connects downtown with midtown and is part of the Downtown Neighborhood Association.²⁶

This area of land was once known as part of the Mill Creek Valley neighborhood.²⁷ In the late 1950s, 20,000 predominantly black residents and 800 businesses were moved out of the area, relocating to the segregated North City and County. In response, 5,600 housing units and 40 churches were bulldozed to the ground in the name of urban renewal. This project made way for Interstate 64/Highway 40, one of the current thoroughfares connecting downtown to the western suburbs. Of the businesses that relocated out of Mill Creek Valley, 70% were closed by the mid-1960s.²⁸ The impact of the flight from the area is visible to this day, with three of the top five neighborhoods for housing vouchers located in and near CITYPARK: Downtown, Downtown West, and St. Louis Place/Jeff-Vander-Lou.²⁹

By locating the project in the city, the ownership group wanted to be an accelerant of economic development, but this required a holistic development strategy. Before starting the project, the ownership group toured competitors' stadiums and sought recommendations for the design.³⁰ A long-time adviser to the family, attorney Jason Thein, was brought in to help lead the stadium development efforts. This \$458 million project would be the most expensive stadium in MLS history.

²⁵<https://www.bizjournals.com/stlouis/news/2023/02/14/crime-st-louis-city-metropolitan-area-comparison.html>

²⁶ <https://www.stlouis-mo.gov/live-work/community/neighborhoods/downtown-west/index.cfm>

²⁷ The following local news media clip from KMOV covers an overview of the history of Mill Creek Valley and the dedication of the monument, remembering its presence at CITYPARK. <https://youtu.be/wg41oZ5fs9Q?t=63>

²⁸ <https://bpb-us-w2.wpmucdn.com/sites.wustl.edu/dist/3/1454/files/2018/06/Segregation-in-St-Louis-Dismantling-the-Divide-22ih4vw.pdf>

²⁹ <https://www.affordablestl.com/supporting-mobility>

³⁰ <https://www.latimes.com/sports/soccer/newsletter/2023-02-21/mls-team-st-louis-soccer>

Several factors made the stadium both unique and uniquely costly. The 22,500-seat stadium featured the furthest seat only 120 feet away from the all-natural grass pitch. The pitch was also set to sit 40 feet below street level, allowing the stadium to blend into the neighborhood, and all of the loading docks and trash dumpsters were under the stadium so that the neighbors enjoyed a better view. Technology decisions also drove the cost. Instead of using preset services, CITY SC built its app to support paperless tickets, mobile food ordering, and frictionless markets and began pushing content to fans a year before the first season started.³¹ Altogether, the innovative venue was best explored with visual media, as shown below.

<https://youtube.com/clip/UgkxRXRLH2DANdXUjLY97QvpL3Wm652BK9TN;>

Given the importance of symbolically recognizing the history of the place and with support from partners Great River Greenway, City of St. Louis, Counterpublic, and Harris-Stowe State University,³² the St. Louis CITY SC ownership group funded the Pillars of the Valley monument at CITYPARK to spark learning and understanding. East-St. Louis native and world-renowned artist Damon Davis interviewed former neighborhood residents and included their voices in the work. He described his intentions in the following video.

<https://youtube.com/clip/Ugkx5KY6ShP4wof9Udk9n3zAgT3nT2Lz6PRC> .

Carolyn Kindle stated, “It was very important for the ownership group to make sure that we acknowledge there was something here before our stadium... Maybe we can create an environment where it allows people to have open dialogue and conversation.”³³

While the project did not rely upon public financing, that did not mean there were no tax incentives behind the initiative. The ownership team initially sought \$30 million in tax credits from the state to support building the stadium. However, this decreased to \$5.7 million with a unanimous vote of support from the Missouri Development Finance Board. The state tax incentives supported rerouting and installation of utilities to the site.³⁴

The St. Louis Board of Aldermen approved several measures specific to city incentives. The first provided 25 years of property tax abatement on the value of the buildings, estimated to save the ownership team \$34.5 million. The club paid property tax on the value of the real estate, the vast majority of which was owned by the State of Missouri, which paid no tax. Thus, despite the tax abatement, the city would receive more property tax than it ever had given previous use of the stadium site without increasing the burden on city amenities

³¹<https://stadiumtechreport.com/reports/stadium-tech-report-spring-2023-2/>

³²<https://greatriversgreenway.org/millcreek/>

³³<https://www.stlcitysc.com/community/millcreekvalley>

³⁴https://www.stltoday.com/news/local/state-and-regional/st-louis-soccer-stadium-wins-slimmed-down-package-of-state-aid/article_8ef8d6f9-62d1-5ea3-910c-88f0ed948b23.html

like the public schools. Unlike the Dome at America's Center, the ownership group would own CITYPARK, which relieved the city of the risks of future maintenance costs.³⁵

The Board of Aldermen also approved a sales tax abatement for materials used to construct the stadium and surrounding facilities (which had a minimal impact on the city) and created the Soccer Stadium Community Improvement District to impose a 1% sales tax within the district to be used to fund improvements, such as street, sidewalk, utility, sewer, parking, and public safety improvements, as well as blight remediation.³⁶ A similar Transportation Development District with an additional 1% sales tax was also created.³⁷ Finally, the Board of Aldermen expanded the Port Authority District to include the stadium, allowing a third 1% sales tax to be levied as an incentive for the project.³⁸ The additional 3% in sales tax from these districts was additive and did not diminish any sales tax for the city, as the club did not seek tax increment financing. The club was not subject to the city amusement tax, but that ordinance predated the club, and the club benefitted, as did the Cardinals (baseball) and Blues (hockey). Finally, the club brought approximately 200 full-time jobs to the city—including the players—all of whom generated earnings tax for the city.

While the incentive measures received strong approval from the Board of Aldermen by margins of 22-1, Alderwoman Sharon Tyus of the first ward stated, "If [the stadium] was going to benefit everybody, then north St. Louis wouldn't look like that. It benefits downtown. What it says is downtown is more important than other neighborhoods, and it's not."³⁹ Not everyone believed these incentives would positively impact all neighborhoods.

Taken together, St. Louis CITY SC directly impacted city tax revenue through the following:

- Sales tax on the sale of tickets, merchandise, and food and beverages in CITYPARK at soccer games, whether those were for CITY SC matches (17 per season, more for playoffs), US Open Cup matches (at least 1), Leagues Cup matches (at least 1), MLS Next Pro matches (12 per season, more with playoffs), and 2-4 non-CITY or CITY2 friendlies. A similar tax was generated through other nonsporting events run at the stadium (175 annual target)
- Real estate tax on club-owned real estate

³⁵https://www.stltoday.com/news/local/metro/st-louis-board-of-aldermen-passes-key-mls-stadiumlegislation/article_f188e7c5-d70d-5527-94d7-7f857e455ab9.html

³⁶<https://www.stlouis-mo.gov/government/city-laws/upload/legislative/boardbills/as-amended/BB%2057%20AA%20Combined.pdf>

³⁷<https://www.stlouis-mo.gov/government/city-laws/upload/legislative/boardbills/as-amended/BB%2057%20AA%20Combined.pdf>

³⁸https://www.stltoday.com/news/local/govt-and-politics/port-authority-expansion-tied-to-soccer-stadium-clears-a-ldermanic-panel/article_169be22c-e6ef-54f6-9b15-c03aa79aa7e5.html

³⁹<https://news.stlpublicradio.org/politics-issues/2020-02-28/before-passing-soccer-financing-aldermen-pause-to-remember-late-colleague#stream/0>

- Earnings tax on the approximate 200 employees in the city
- St. Louis city indirectly impacted tax revenue by:
- Drawing fans and visitors to the city, who spend money in the city at restaurants and hotels (if coming from out of town) and on ancillary goods and services.
 - Creating an environment conducive to additional development, leading to additional jobs (earnings tax), more activation (sales tax), and increased property values (real estate tax).

Prior to the team's first game, the St. Louis Development Corporation estimated the project would generate \$10 million for the city over the next decade⁴⁰; early numbers on taxable revenue from the team (e.g., tickets, food and beverages, merchandise) at a city tax rate of 5.45% made such 10-year projections seem conservative. The broader hope, however, was in this project as a catalyst for development. Neal Richardson, the president and CEO of St. Louis Development Corporation, put it this way on the potential cascading impact for the region:

While the ownership team strove for the project to benefit St. Louis economically, assessing the potential benefit of a stadium was complex. While private financing got around some of the extractive nature of public financing projects, it was unclear whether a sports project would drive the region's economic development. Professor Nate Jensen of the University of Texas at Austin, an expert on public finance projects, weighed in on this point below.

"The economic impact of a stadium or team is often less than that of a Target store. This is primarily due to the use of the venue for a very limited number of events, as opposed to a Target being open year-round. Such stadiums also have limited economic spillovers. Of course, there are suppliers for food and drinks, but the total number of suppliers is relatively low compared to many other economic activities. Even much of what sometimes appears as economic stimulation of the region fails to pull in net new dollars; unless someone is coming from outside of town that wouldn't have come otherwise, a dollar spent at a soccer club is often a dollar they were already going to spend on other civic assets and experiences. It is merely shuffling around money versus net new creation."

Looking at what might be possible with a stadium as a catalyst of growth, Jensen concluded:

"The best-case scenario is one where a cluster of urban resources—often beyond one project alone, and thus encompassing schools, transportation, parks, and the arts—builds a kind of "coolness" and quality of life to the city, which drives decisions to

⁴⁰<https://www.kbia.org/missouri-news/2020-02-12/major-league-soccer-ownership-group-closes-in-on-public-incentives>

engage in and even relocate to the area. The key is how to provide this to residents in the most cost-efficient way possible.”

THE FINANCIAL CHALLENGE OF MLS OWNERSHIP

In addition to economic development, the owners also cared about the financial performance of the team and its performance on the pitch. For an MLS team, there are five main sources of revenue: ticket sales (including premium), sponsorship, food and beverages, merchandise, and other events. A growing source of revenue is player sales. The relative amount of each will vary by club, but ticket sales and sponsorship are the largest sources of revenue by far. A capital infusion from ownership or debt makes up any shortfall.

Despite some similarities, the economics of MLS ownership were quite different from other US-based professional sports leagues and decidedly distinct from their European football counterparts.⁴¹ As soccer is less popular in the US, acquiring an MLS team is less expensive than other major professional sports. However, the business of an MLS franchise is not easy. In 2022, MLS team revenue ranged from a low end of \$21 million (Vancouver FC) to a high of \$116 million (LAFC). As a percentage, profitability ranged from a low of -72% on \$25 million of revenue (Chicago Fire) to a ceiling of 11.4% on \$70 million (DC United). In 2022, only half of MLS teams recorded positive operating income, and only one club, Los Angeles Football Club (LAFC), was worth \$1 billion. In contrast, the European club Manchester United had a valuation of \$4.6 billion and 6.9 times the revenue of LAFC.

Part of this valuation difference is explained by how MLS clubs need to compete with other professional sports franchises like football, baseball, and basketball, which European clubs do not face. Additionally, in Europe, sporting success and talent acquisition are highly valued, given the potential to move up in leagues. Such shifts can pose challenges to fiscal management and possibly reward investment if promoted to a higher league.⁴² The MLS is a closed league with no such possibilities. Furthermore, in practice, there are few rules regulating how much European clubs spend on player salaries, with no salary caps.⁴³ This poses concerns for MLS teams if they want to compete for talent on the world stage while driving profitability.

THE EXPANSION DARLING

⁴¹For more on soccer economics, see <https://theathletic.com/2474348/2021/03/24/mls-valuations-growth-business/> , <https://www.soccernomics-agency.com/?p=692>, and <https://www.forbes.com/sites/justinbirnbaum/2023/02/02/major-league-soccers-most-valuable-clubs-2023-lafc-is-the-first-billion-dollar-franchise/?sh=61a11a625324>.

⁴²<https://www.theringer.com/soccer/2022/1/27/22891886/american-investors-european-soccer>

⁴³<https://www.nytimes.com/2022/03/22/sports/soccer/uefa-salary-cap.html>

With the stadium developed and the club in place, the task for Kindle and the ownership group turned to building the team and seeking a successful first year.

Building the Leadership Team

The global slowdown caused by COVID-19 turned out to be a silver lining for club development. Not only could the ownership group take more time to design the stadium, but they also sought community input on their brand development, such as the club name and local restaurants to be invited to the stadium. They also used the additional runway to build fan connection and engagement.

In building out the team leadership, Kindle worked to develop a group that would have the expertise necessary for this new space. To direct activities on the pitch, Kindle selected Lutz Pfannenstiel after conversations that solidified his passion for community and supporting local talent development.⁴⁴ Pfannenstiel was the first person to play professionally in all six FIFA confederations. He promoted an aggressive attacking philosophy permeating every branch of the club, from youth development programs to the Academy and professionals.

Pfannenstiel selected players based on their character and teamwork abilities versus shiny accolades. At the start of the first season, St. Louis CITY SC had the lowest salary expenditure for players in the MLS and had one Designated Player spot remaining, which had a fixed and relatively nominal impact on the salary cap. Even the two Designated Players only counted as such due to their transfer fees and not their salaries. As Pfannenstiel stated:

"We're trying to have all our players on the same level. I call it the DT—the designated team—which some people hate, but it's what our players believe. This is the emotion you get in the changing room. They're all there to help each other."⁴⁵

Central Defender Josh Yaro described how this culture encouraged his move to CITY SC:

<https://youtube.com/clip/Ugkx6euKwtzw90z1BlreqvbMyMk76gpQYXHj>

Off the pitch, three unique roles included the first-ever MLS Chief Experience Officer, Matt Sebek; Chief Flavor Officer, James Beard award-winning chef Gerard Craft; and Director of Musical Experience, hip-hop artist Muhammad "Mvstermind" Austin.

⁴⁴<https://www.youtube.com/watch?v=JYAPFqeZgrU&t=208s>

⁴⁵<https://www.forbes.com/sites/michaellore/2023/05/23/st-louis-city-sc-strives-to-shine-spotlight-on-city-midwest/?sh=79c34f876ac6>

Sebek's role as chief experience officer included any point where fans interacted with the club, such as the stadium, team store, and online.⁴⁶ Starting in 2020, Sebek tested the cashless and ticketless approach during the CITY2 season and sought feedback on merchandise. The club intentionally catered to dedicated soccer fans and attracted new fans with other anchors, such as food and concerts outside the stadium.⁴⁷

Hiring a chef to lead CITY's ambitious plan for solely local food vendors helped gain trust with local restauranteurs—25 selected for the stadium—given Craft's expertise. Furthermore, the club helped decrease the risk for restauranteurs by not charging rent but profit sharing instead—the only agreement of its kind in US sports stadiums.⁴⁸ The owners hoped fans would visit restaurants' brick-and-mortar stores after exposure in the stadium, and early surveys of fans show that nearly 60% were now seeking out these vendors outside of the match experience. Moreover, several vendors identified that game day revenues might eclipse the revenue they would have in their restaurant over a week.

Finally, Mvstermind curated the musical philosophy and story for the stadium, including a pregame concert series and music for the stadium and online presence. On *St. Louis on the Air*, Mvstermind stated:

"Seeing a sports franchise tap into the actual community, to really personify who their community is and how to interact, how to engage, how to be authentic...that was something that really clicked. How do we set the tone musically to represent us for decades to come? Connecting with [CITY SC]...we brought it to life."⁴⁹

Performance on the Pitch

Kindle and St. Louis fans could not have been more proud of the team's accomplishments in the first year. Their initial five-game winning streak tied the MLS records for a debut season.⁵⁰ In June 2023, the team had set MLS records for the most goals (32), the most points (28), the most wins (9), and the biggest goal differential (+18) for an expansion team through their first 14 games.⁵¹

⁴⁶<https://www.courierpress.com/story/sports/college/evansville/2023/04/20/mls-evansville-graduate-matt-sebek-helped-create-st-louis-city-sc/70130665007/>

⁴⁷<https://www.stlmag.com/news/sports/a-conversation-with-st-louis-city-sc-chief-experience-officer-matt-sebek/>

⁴⁸<https://www.saucemagazine.com/a/60161/your-ultimate-guide-to-eating-at-st-louis-city-sc-citypark-s>

⁴⁹<https://news.stlpublicradio.org/show/st-louis-on-the-air/2023-08-08/the-mvstermind-behind-city-scs-music-to-offer-a-performance-boot-camp-for-artists>

⁵⁰<https://www.forbes.com/sites/michaellore/2023/05/23/st-louis-city-sc-strives-to-shine-spotlight-on-city-midwest/?sh=79c34f876ac6>

⁵¹<https://twitter.com/MLS/status/1665799398381563904>

CITY fans were setting records too. The club had the largest week-over-week growth in followers on social media,⁵² a record that stood until Lionel Messi arrived in Miami. As of July 16, 2023, St. Louis CITY SC ranked tenth in average attendance at home games with 22,423 attendees,⁵³ a number only capped by the stadium's limits. As a result, every team ahead of St. Louis CITY SC in this ranking played at stadiums with a larger capacity than CITYPARK. No MLS team had a higher percentage of capacity (100%). CITY SC players cited the phenomenal fans as a strong factor in their success, as Defender Jake Nerwinski explained:

1

https://youtube.com/clip/Ugkx1vo_yo-ltjrECyFvnu9kEwj2IysegAi3 ; 2

Performance on the Books

The region's pent-up desire for a professional soccer team had similarly translated into early financial success. From the start, St. Louis CITY SC had experienced strong sales of tickets and merchandise. The team received 60,000 deposits from season ticket hopefuls but had to cap the amount at 80% of the 22,500-seat stadium. This demand broke the record set by MLS expansion club Austin FC in 2021. All premium seating sold out with multiyear commitments. CITY SC also broke the MLS record for the best-selling jersey in league history over 30 days, and that happened before the jersey's design was even announced.⁵⁴ In 2023, the team had the most popular jersey by sales in the first quarter.⁵⁵

At the start of the season, the average CITY SC ticket price resale was the highest in the league at \$73, with the closest follower, Austin FC, at \$58. The league average was just over \$30 per game.⁵⁶ For those lucky enough to score season tickets, 33% of non-premium season tickets were priced from \$20 to \$40 per game.⁵⁷ Prices on the secondary market only increased as the season continued. According to SeatGeek on July 21, 2023, the average ticket price for the August 20, 2023, home game against Austin FC was \$189, including verified resale tickets and \$126 without. Sustaining this success could be the ownership team's greatest challenge. Kindle reflected,

⁵²<https://www.forbes.com/sites/michaellore/2023/05/23/st-louis-city-sc-strives-to-shine-spotlight-on-city-midwest/?sh=79c34f876ac6>

⁵³<https://soccerstadiumdigest.com/2023-mls-attendance/>

⁵⁴<https://www.sportsbusinessjournal.com/Journal/Issues/2023/02/13/In-Depth/mls-preview.aspx>

⁵⁵<https://www.forbes.com/sites/michaellore/2023/05/23/st-louis-city-sc-strives-to-shine-spotlight-on-city-midwest/?sh=79c34f876ac6>

⁵⁶<https://www.kmov.com/2023/03/03/demand-has-never-wavered-st-louis-city-averaging-highest-ticket-price-league/>

⁵⁷<https://www.stlcitysc.com/news/st-louis-city-sc-general-reserved-season-tickets-seat-selection-to-begin-in-may>

"I mean, not to brag, but I think we've broken every record that's been set, and not just by a little bit, by a landslide. We had to have the conversation that we need to stop being so aggressive and successful, because we're going to have to start beating our own records."⁵⁸

Performance in the Community

Kindle was also proud of the club's engagement with local youth, the community built by fans, and early signs of economic development. Specific to engaging with the local soccer community, the club offered an alternative to a sport that could become quite expensive for families to engage at the highest level. The CITY Futures program offered free one-day introductory soccer clinics to children at Forest Park and extended weekly sessions at five satellite locations around the area.⁵⁹ The next step in CITY training for male youth was the Academy. This rigorous, year-round program for boys in the under-15 to under-20 categories⁶⁰ offered a free alternative to more expensive clubs in the region.

Beyond soccer alone, the club sought to use the sport as a cultural catalyst. As one example, CITY Moves was an ongoing program designed to create direct lines of communication between CITY and fans from diverse communities. In practice, this allowed CITY to capture input on how the club might better become a place where all would feel safe and welcomed and, thus, be a team they would be proud to support.

Kindle and the team created an energy and atmosphere around the game-day experience that would have a cascading impact on civic pride. Game day in St. Louis included street parties and parades from bars to the stadium. The Club hosted block parties, concerts, and watch parties welcome to everyone, including non-ticket holders.⁶¹ Within the stadium, the supporter section included various groups—the St. Louligans, No Nap City Ultras, STL Santos, Fleur De Noise, and the St. Louis City Punks—some of whom had been cheering for soccer in the city for a decade or more.

The local restaurant approach had also shown early promise. The logistics for soccer concessions were challenging, given the game's few stoppage times for purchases. CITY SC's strategy to invest in technology and encourage fans to show up early and order ahead via their app succeeded. 90% of fans entered the stadium 30 minutes before kickoff, and 70% downloaded the app. 60% of food and beverage sales took place before the game, 35% took place during the 15-minute halftime, and 20% of sales took place via the app. The

⁵⁸<https://www.sportsbusinessjournal.com/Journal/Issues/2023/02/13/In-Depth/mls-preview.aspx>

⁵⁹<https://www.stlcitysc.com/community/city-futures-program/>

⁶⁰<https://www.stlcitysc.com/academy/faq/>

⁶¹<https://www.instagram.com/p/CuXKhduzHu/>; https://www.instagram.com/p/CsZXU9MOA5D/?img_index=2

checkout-free stands were also successful, with an average transaction time of 90 seconds and an average order that was 125% higher than orders from stands.⁶² Assisting local food providers who might have seen 10,000 customers per year transition to an audience of 22,500 people per night was challenging but rewarding.

The hopes for downtown development were also showing promise. Since the announcement of the new team in 2019, roughly \$820 million in development and 300 occupancy permits were issued.⁶³ For example, the stadium and nearby National Geospatial-Intelligence Agency were the main selling points for real estate firm Development Services Group to invest \$140 million in renovating the Butler Brothers building into 385 apartments and mixed-use retail. St. Louis-based AHM Group invested \$200 million in four historic renovations and a 29-story mass-timber apartment tower.⁶⁴ Finally, while early, the crime numbers for the summer appeared promising relative to the previous year.

Downtown and Downtown West Crime Statistics (July 7–September 1)	2023	2022
Assaults	51	90
Robberies	13	9
Larceny	190	301
Auto Theft	70	145
Homicides	0	1

But some concern remained around the impact on the local residents and small businesses, something familiar to other stadium projects. The question became what CITY might do. In Orlando, a nonprofit bought houses around the soccer stadium to keep rents affordable. In Cincinnati, residents who needed to move out of buildings owned by FC Cincinnati have sought funding for relocation.⁶⁵ Within Downtown West, commercial rental rates hovered at about \$12 per square foot for roughly a decade before jumping to \$19 to \$25 by the season's start.⁶⁶ The impact on renters was likely to follow shortly after. At the MLS level,

⁶²<https://stadiumtechreport.com/reports/stadium-tech-report-spring-2023-2/>

⁶³https://www.stltoday.com/news/local/business/more-than-soccer-st-louis-businesses-see-citypark-luring-morepeople-money-downtown/article_e4cbfd5b-9df4-55a3-8aaf-17ac0e9688e2.html

⁶⁴<https://www.bizjournals.com/stlouis/news/2022/12/06/downtown-residential-cover-story.html>

⁶⁵<https://soccerstadiumdigest.com/2019/05/the-other-side-of-summer-mls-and-gentrification/>

⁶⁶<https://www.ksdk.com/article/news/local/citypark-soccer-stadium-st-louis-real-estate-development/63-710598c9-1950-4842-a1a1-42660fb971e9>

the league realized the need for creativity. As *Soccer Stadium Digest* stated, “Setting up charities to address the issues of gentrification and equity is a key part of the new MLS stadium strategy, one we expect to continue as expansion moves forward.”⁶⁷ Would this also be the necessary approach for the St. Louis CITY SC Club?

THE LOOMING CHALLENGE

As Kindle thought of years ahead, she reflected on the club’s biggest challenges. Given all the success of the first half season, how could this momentum be sustained? Would securing expensive players with name recognition become more important to compete in the league athletically and financially? With ticket revenue already close to maximized, what were the unique ways the club could drive revenue to go after talent if this were necessary to drive performance? For Lee Broughton, one potential solution was to think about the team as a kind of “super brand,” but how could that be done in practice?

Several questions also remained regarding achieving the family’s broader purpose. The fans loved their team, but how could more St. Louis residents be welcomed into this experience? What did the club mean for St. Louisans looking for affordable housing, safe neighborhoods, and quality public schools? Furthermore, given the goal- of a stadium as an economic development accelerator, what might be done to move this path forward? After all, building a stadium and professional sports franchise that contributes to a city’s economic development is no easy feat. How could this impact be measured? In reaching the club’s vision to be an exceptional neighbor,⁶⁸ would some neighbors be priced out of the area?

Kindle and the Taylor family were dedicated to putting St. Louis back on the international map as both the soccer capital of the US and a sought-after home. Was this too much pressure for a sports franchise to carry?

THE CASE QUESTION

In a short write-up (limited to 3 pages, single space, + appendices), outline how you think the Taylor family should allocate resources in the next five years to best balance 1) performance on the pitch, 2) financial return on investment, and 3) development of the broader region, both culturally and economically. In making your case, be sure to draw upon both quantitative information and the core values of the ownership group and impacted stakeholders.

⁶⁷<https://soccerstadiumdigest.com/2019/05/the-other-side-of-summer-mls-and-gentrification/>

⁶⁸<https://www.stlcitysc.com/community/>