

Key Considerations in Sports and Entertainment Mixed-Use Developments

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In recent years, there has been a surge of interest in sports and entertainment mixed-use developments that blend professional or collegiate stadiums or arenas with retail, hospitality, residential, office and public gathering spaces. In addition to enhancing the game day atmosphere for sports franchises and universities, these entertainment districts represent long-term investments that can generate new revenue streams, increase franchise value, attract additional capital and build a deeper connection with fans and the surrounding community. But while the upside is significant, so is the complexity. These districts often involve sensitive land aggregation efforts, public-private cooperation, long time horizons and regulatory scrutiny from municipalities, leagues, associations and the media. Success depends not just on a compelling vision, but on careful planning from the outset.

This article outlines key legal and structuring considerations that sports franchises, universities and their partners should keep in mind when embarking on the development of mixed-use sports and entertainment districts.

Confidentiality and Control of Information

Land assembly is often the first and most delicate step. To avoid price inflation or landowner holdouts and to control messaging to the community, it's critical to attempt to maintain the confidentiality of the development. This can be complicated by formation and disclosure rules for entities in certain jurisdictions. Selecting the right jurisdictions and structuring ownership entities to preserve anonymity is crucial, especially considering the media attention that these projects often entail.

It's equally important to consider the impact of information flowing to interested parties, especially when public entities are involved. When public entities contribute land, funding (in the form of financing or tax abatements) or entitlements, franchises, universities and their partners should prepare for political and media attention and, in some cases, scrutiny. Even in cities that are enthusiastic about sports-led development, the politics of land use and public funding can quickly become contentious. Franchises, universities and their partners should be mindful that written and

oral communications (including emails), term sheets, agreements and other documents may be subject to open records requests by the public. Understanding the scope of public disclosure laws and how to structure confidentiality protections is essential in managing information flow.

Navigating League Oversight and Financial Rules

Major professional sports leagues and university governing bodies have a vested interest in preserving the integrity of the leagues, governing bodies and member franchises/clubs/institutions. These leagues/governing bodies impose far-reaching rules and regulations on their member franchises/clubs/institutions to protect against the consequences of defaults that are inherent to any real estate development and financing, including with respect to revenue sharing, debt limits and asset control. These rules and regulations would ideally be factored into the initial planning and structuring of the development of sports-anchored mixed-use districts to avoid future complications and legal expenses.

Transfer Taxes and Development Flexibility

Because these developments are typically phased over many years and may involve multiple co-investors and development partners, careful upfront structuring is essential. A well-designed organizational structure can provide operational flexibility while minimizing exposure to transfer taxes, property tax reassessments and related costs. The goals include:

- Enabling upper-tier transfers or affiliate reorganizations without triggering real estate transfer taxes;
- Preserving the ability to allocate parcels to different entities as phasing evolves; and
- Accounting for ownership thresholds and local tax rules that may trigger reassessment or additional compliance obligations.

The ability to shift parcels or bring in new capital partners as the development matures can be a significant competitive advantage, but only if structured correctly from the start.

Land Acquisition

While structuring and compliance issues dominate much of the planning process, franchises, universities and their partners still must piece together the land itself. Securing control of the land around the stadium or arena is rarely straightforward and almost never achieved through a single method. Common methods include:

- Fee simple purchases or acquisition of upper-tier ownership interests in landholding entities;
- Purchase options that allow control over timing and price without immediate capital outlay;

- Long-term ground leases, particularly useful with public or institutional landowners;
- Contribution of leasehold interests, such as parking lots or practice facilities, into the development structure;
- Reciprocal use or branding agreements with neighboring landowners that create access or development rights without full ownership;
- Acquisition of distressed debt as a "loan-to-own" strategy where properties are encumbered or in default;
- Easements to secure necessary infrastructure, utilities or shared access rights; and
- Public land acquisition, either through negotiation, land swaps, or, where available, the exercise or threat of eminent domain.

These districts often require a creative and flexible approach to land acquisition, combining multiple strategies tailored to each parcel's ownership, use and value.

Conclusion

Sports and entertainment mixed-use developments are complex, public-facing and often politically sensitive, but represent one of the most exciting and high-impact development opportunities in real estate today. They require a careful blend of real estate, corporate, public policy and league/governing body compliance considerations. By involving experienced counsel early in the process, franchises, universities and their partners can avoid preventable pitfalls, preserve flexibility and maximize long-term value.

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