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HEADLINE: Major League Baseball wins in Washington

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WASHINGTON The Washington Nationals this week began their second season with the same problems they had in their first: Not enough pitching. Not enough power. No owner.

The first two woes will make it a challenge for the team to improve on last year's 81-81 record. The other is expected to be resolved this month when Major League Baseball announces who will own the capital's first team since the early 1970s.

A selection will end one of most unusual transactions in pro-sports history. Baseball's 29 other teams have owned and operated the Nationals the former Montreal Expos since 2002. MLB's stewardship has been marked by criticism, conflict and delay. But the payoff is a grand slam for baseball: an investment of more than $1 billion in the sport, $450 million from the buyer of the team and $611 million in public subsidies for a new stadium.

"God should have been so good to you and me," says Mark Rosentraub, dean of urban affairs at Cleveland State University, who has been a consultant for teams and cities but hasn't been involved in the Nationals deal.

The Washington transaction comes at a time when other teams are picking up most of the tab for stadiums. The St. Louis Cardinals on Monday will begin playing in a $365 million ballpark built largely with private financing. About a quarter of nearly $2 billion in proposed stadium development projects for New York's Yankees and Mets would be borne by the public.

MLB Commissioner Bud Selig is expected to name a Nationals owner within two weeks. People familiar with the decision say two favorites have emerged: Washington developer Theodore Lerner and a group led by Washington businessmen Fred Malek and Jeffrey Zients. Another finalist, Indianapolis communications executive and former Seattle Mariners owner Jeffrey Smulyan, has been hurt somewhat because he is from outside the capital, people familiar with the process say.

Mr. Selig is said to like Mr. Lerner's family-run ownership and real-estate background, which could help during stadium construction. To compensate for a lack of baseball experience, Mr. Lerner has been negotiating to add the head of a bid group assembled by former Atlanta Braves President Stan Kasten.

Working in the Malek-Zients group's favor is a long effort to bring baseball to

Washington and a list of politically connected investors. MLB President Bob DuPuy was to meet with some of those investors in Washington yesterday.

Mr. DuPuy says Mr. Selig "is getting very close" to a decision but hasn't made up his mind. "Every group is terrific ... and has the financial wherewithal and brings real strengths to the table," Mr. DuPuy says.

Baseball's owners bought the Expos for $120 million from art dealer Jeffrey Loria to facilitate the sale of two other franchises. (Mr. Loria bought the Florida Marlins, whose owner led a group that purchased the Boston Red Sox.) The team played as a lame duck in Montreal and Puerto Rico before MLB in late 2004 chose Washington over several other municipalities as a permanent home.

President Bush threw out the Nationals' first ball. But acrimonious negotiations between MLB and the city over a stadium lease plus a September collapse by the team clouded the inaugural season. Then the city council approved a deal, reopened and rejected it, and last month finally agreed on financing for a stadium projected to cost as much as $631 million, plus an additional $36 million to improve roads and a subway station. "We wasted a year," says Tony Tavares, the team's president.

The Nationals made about $10 million after taxes in 2005 but are forecasting a decline to about $7 million this season. The main reason: a 15 percent drop in season-ticket sales attributed in part to a stream of negative publicity surrounding the lease.

A failure to upgrade the team also has hurt. Mr. Tavares says several free-agent players spurned the Nationals because the franchise didn't have an owner. The team's payroll $63 million, 20th of the sport's 30 clubs is set by MLB.

The delay in getting a lease could force the Nationals to spend an extra year in outmoded Robert F. Kennedy Memorial Stadium. City officials say groundbreaking on the new riverfront ballpark a 41,000-seat glass-and-steel structure in southeastern Washington is expected this month. The stadium is scheduled to open in 2008.

The sale of the Nationals has been markedly different from a typical mergers-and-acquisitions deal. MLB didn't hire an investment banker. That's unusual in sports; Mr. Selig's family, for instance, used an investment firm to sell the Milwaukee Brewers last year. The Nationals process has been led by Mr. DuPuy, who is a lawyer, and Chicago White Sox owner Jerry Reinsdorf.

MLB opened bidding at about $300 million but capped the price at $450 million. The move restricted baseball's potential profit but preserved its ability to choose whom it wanted without facing criticism for bypassing the highest bidder, which happened in the Red Sox sale.

Unlike in traditional deals, baseball didn't adhere to a timetable, setting and breaking numerous deadlines. Bids were required before two key financial components were in place, the team's stadium lease and local television rights. People involved say MLB also didn't clearly enumerate what it sought in a buyer or what due diligence it was conducting. "There is a semblance of 'it's our way or the highway,' " says David Carter, a professor of sports business at the University of Southern California.

Mr. Carter says the approach reflects the structure of pro leagues as collections of individually run businesses. Rather than selling a property the Expos on the open market, MLB "relocated a division of a much bigger business and (is selling) it to local interests to manage," he says.

Baseball officials defend the process. Mr. DuPuy says baseball wanted to sell the team as a package with a stadium and lease to help maximize the future owner's chances of success. "Nobody wanted it to go on this long," Mr. DuPuy says.

The strategy worked. MLB stands to turn a profit of about $250 million on the sale, or more than $8 million per team. Its tough negotiating stance with the District of Columbia yielded a deal that will let the Nationals control virtually all revenue from the proposed ballpark but pay only a fraction of the costs.

Bidders project the Nationals will generate $160 million to $170 million a year in revenue from local sources once the stadium opens, putting the team in the upper tier of baseball. The Nationals had local revenue of about $100 million last year.

City officials say more than 70 percent of the ballpark's costs will be met from baseball-related sources, including annual rent starting at $3.5 million, a $20 million contribution from MLB, and taxes on tickets, concessions and other stadium spending. The rest is to come from a special tax on large businesses. "It is not nearly the public boondoggle some have represented it to be," says Stephen Green, director of development in the mayor's office.

Prof. Rosentraub, however, says that every dollar Washington uses to finance the stadium "is a dollar you can't spend for something else."

The Nationals owner will face one disadvantage compared with other clubs: The team doesn't control its television rights and won't be able to start a potentially lucrative regional sports network, as other teams have done. As part of compensation for placing a team in Washington, MLB gave the nearby Baltimore Orioles majority control of a network that includes the Nationals.

The Nationals' stake in the network is to rise to 30 percent over time from 10 percent. The team receives an annual rights fee, about $20 million this season, for its games. The House Government Reform Committee is to hold a hearing Friday on the cable-TV arrangement.