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Public finance of professional athletic facilities: Case studies in stadium and arena finance

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Introduction:

During the course of the 1990s cities across the country opted to expend public monies at record levels on stadium and arena construction. The focus of this paper will be an examination of whether or not spending public money on private athletic facilities is justifiable. For the purpose of this paper "justifiable" will mean; that the overall economic benefit to the community can be clearly and quantifiably demonstrate to have a net positive economic impact on the community while benefiting all socio-economic elements of the community at large. The types of facilities that this paper will examine are arenas and stadiums. For the purposes of this paper an arena will be defined as an enclosed structure with a seating capacity of less than twenty five thousand seats. A stadium is either an open, closed or a retractable roofed facility with more than twenty five thousand seats.

Chapter 1. Why do cities want to keep or attract professional athletic teams, and who do the team belong to?

So really, why do professional athletic organizations want new stadiums? This might seem like a silly question to ask, like asking why people buy new cars when their old ones work fine, or why people buy new clothes when their old clothes are more than adequate to meet their needs. Teams are organizations full of people with egos and a desire to be looked up to by their peers. A new stadium is a way in which the organization can gain prestige not only in the communities in which they play, but in the leagues in which the teams play as well. It is not that simple though, it isn't just a matter of ego (at least not entirely) it is also a matter of economics. Teams want stadiums to become more profitable and thus more competitive (and thus even more profitable).

The construction of a new stadium for a team not only means an instant increase in revenue due to many factors ranging from more amenities (concessions, retail, other entertainment, etc.) to more luxury box and club seating to an increase in overall attendance (due primarily to the novelty effect). With an increase in revenue the teams can afford to spend more on players, coaches and administrative personnel. This usually causes the team to perform better, which, could and usually does, further increase revenue (merchandise sales, broadcast revenue, attendance, etc.). Stadium construction thus becomes a vicious cycle, because as one team erects a new stadium or arena other teams follow suit around the league. Then they can field better teams and increase their revenue by finding more amenities and building dozens more luxury boxes, etc. Then the team that only a few seasons prior had one of the best stadiums in the league is left with a mere average stadium, and the process begins anew.

Proponents of public financing of stadium and arena construction often make the argument that the facilities will be literally "self-financing." The way the facilities will become "self financing" is by generating thousands of jobs, increasing tourism, and providing an even better experience for fans attending the games. If a city is interested in "re-developing" a certain area, stadiums and arenas are seen as a possible catalyst for the intended rejuvenation. Stadiums are massive projects that can transform the landscape of a city practically overnight and perhaps put the city on the map nationally. Stadiums and arenas are often touted as a means of attracting big events like the Super Bowl, the

Goodwill games, the Olympics, college championship games, etc. Professional athletics is seen as an amenity that is important in attracting new business and industry to a community. The aforementioned arguments can exaggerate the benefits and downplay the costs, which can be very misleading for policy makers and the general public.

Michael Danielson argues that the key to understanding the relationship between professional athletics and the given teams geographic location is that "teams belong to their owners—not to the places they play or the fans that root for the home team or governments that pour millions into arenas and stadiums." Professional athletics is a business that is driven by the bottom line just like any other business. Individuals, groups of individuals (or syndicates), and corporations purchase professional athletic teams for various reasons, but are always seen as an investment. Some professional athletic team owners have made comparisons of their ownership to a form of philanthropy, or public service. Comparing owning a team to other worthy philanthropic enterprise is a gross exaggeration of the benefit professional sports has on a community. Professional athletics are without a doubt one of the most enjoyable forms of entertainment available in the United States. Professional athletic events are enjoyed by a diverse group of all age groups and socioeconomic categories. But to consider owning a team on par with sheltering the homeless or rehabilitating the down and out is a far stretch. It is an especially far stretch when the return on investment is often several times the typical return on real estate and stock and bond investments.

Many public policy makers have been led to believe that professional sports is a public good, like youth sports activities, or community centers. Yet there is very little evidence to suggest that there are any positive effects produced by professional athletic teams that can't be produced by other forms of entertainment at a much lower cost. Professional athletics is not a public good, it is not a community service, it is a business based on taking as much money from the fans (and taxpayers) as they will willingly part with. "A ball club isn't just a team," explains an official of the Oakland Athletics, "it's an entertainment entity or a lifestyle medium, much like Disneyland. Our market research showed us we had to pour a lot of resources into making the stadium more pleasant and into making the game appeal to more people." The business of professional athletics is all about entertainment, just like film, music, the theme park industry, the gaming industry, etc. The bottom line is that pro-sports is absolutely a business, fundamentally no different from auto manufacturing, the airline industry, or the gaming industry, profit and return on investment are the primary considerations everything else is secondary. Based on the kinds of deals teams are securing, it does not seem as though local governments appreciate this fact enough. It would seem that they feel they are dealing with a non-profit entity like the United Way, rather than a corporation.

Ironically cities and fans view teams in a proprietary manner that goes beyond mere brand loyalty, this plays into the hands of the team owners. Imagine if casino executives could threaten to relocate to another town if the residents of southern Nevada didn't build them new casinos. Add to that a very limited supply of casinos nation wide and a high demand, so the casinos could get lucrative deals elsewhere. In practically every other private sector industry this kind of situation would be absurd, but not in professional athletics.

Unlike public entities that are mandated to provide certain service(s) for the public, professional athletic teams provide entertainment with no obligation to fans or the cities in which they play. The numerous players strikes and lock outs are a testament to that. By viewing the way many newspaper columnists and fans tend to portray professional athletics one begins to see a very different public perception. Most people seem to be oblivious of the shrewd, economically oriented nature of professional athletic teams and leagues.

Fans and ordinary pro-sport consumers have a tendency to see their home team (or their favorite team) in a more proprietary light, than other pop culture consumers do. When a city is in danger of losing “its” team then the issue tends to get emotional. The bottom line economic impact of losing a team on the local economy ceases to be the primary consideration. Teams really don’t make or break a city the way other industries do, yet in many of these cases cities were willing to spend vast sums. Most cities aren’t always willing to spend as much on other industries that actually have, fan loyalty, the heritage of the ballpark, etc. This is a big problem for opponents of new stadium construction because proponents can latch onto these more attractive emotional issues, as can policy makers.

Chapter 2. How Do Teams Convince Cities to Pay Hundreds of Millions of Dollars to Build New Stadiums and Arenas?

One could arguably trace this problem back to the late 1940s into the 1950s during the beginning of the movement of east coast professional athletic teams out of the mid and upper Atlantic seaboard cities to the sunbelt. The most famous move to date in professional athletic history is still probably the Brooklyn Dodgers move in 1958 (Danielson 7, 95-96). That era was just the beginning of team movement and arguably, it served a purpose that ultimately benefited fans by distributing the teams more evenly (geographically). The flight of many of the teams was due more to the improvements made in travel, than fan support or short-term profits. Teams had an opportunity to gain a monopoly market, and to be the first to enter markets that were growing exponentially.

This made moving to places like Los Angeles, San Francisco more feasible. If transportation had been adequate earlier, there probably would have been teams in the west from the very beginning (Danielson, 15). Most of the eastern cities like Brooklyn, Boston, and Philadelphia that lost teams either eventually had their teams replaced or were close enough to another team that the loss was off-set by a substitution. Thus millions of fans in the Sunbelt were exposed to professional athletics (Quirk and Fort, 9-25).

The year 1980 marked a turning point in professional athletics. The Los Angeles Rams would move to Anaheim to get a more advantageous stadium lease agreement. This ultimately caused the Oakland Raiders to be lured away from a city that supported them. Oakland was large a market and the local fans adored the Raiders who in turn were making a profit. The Raiders were moving only because Los Angeles had offered a better deal than Oakland was willing to give (Rosentraub, 16).

In 1984, Robert Irsay decided to move his team the Baltimore Colts to Indianapolis (Cagan and de Mause, 2). These moves created ripple effects that are still playing out in the league. Los Angeles, one of the world's largest markets still has no NFL team and in the past five years Baltimore and Oakland have regained teams at the expense of other cities. During the last twenty years the threat of moving has given teams an edge in negotiating deals for new leases and new facilities. These moves put fear into the equation. Cities and fans had cause to take teams more seriously when they threatened to move (Danielson, 10).

One big problem, associated with the consideration of financing and building new stadiums and arenas, is the tendency of policy makers and citizens to get emotionally attached to the idea of building a new stadium or arena. All of the reasons listed in chapter 2 are often the reasons that policy makers become over zealous in their quest to build a new stadium or arena. When a municipality is considering methods to attract new industry (or pacify existing industry) emotion doesn't usually play a key role. Certainly not to the extent to which it does in the professional sports business. Unfortunately, public policy makers involvement with professional athletic teams is usually much more emotional than with other types of business and industry. The emotional/intangible issues often cloud the waters of reason when the time comes to decide on whether or not to spend huge amounts of public money on pro sport facilities.

In Sports, Jobs & Taxes, Roger Noll and Andrew Zimbalist cite three main reasons stadium finance plans often are less than accurate (14-17). These inaccuracies can often be the deciding factor in the consideration to build a new stadium or arena. The first error occurs when creating an economic impact plan for new stadium/arena construction in cities with existing facilities where the team already plays. Often times the economic impact figures are presented without using the revenues of the older facility as the baseline, as though revenues generated by the new facilities would be almost entirely "new revenue" which is not usually the case. The new revenues should be calculated by first subtracting the revenues that would be realized on the existing facility. The reason proponents of new stadium construction employ this tactic is that it tends to make the case for new stadium construction appear more attractive to policy makers and the general public. This error might seem very elementary but surpassingly it often goes unnoticed or under-publicized (Noll and Zimbalist, 15).

The second error in calculating the economic impact of new athletic facilities is the tendency of such studies to overlook the fact that much of the “new” revenue generated by the new facility are in reality merely a shift or substitute in the spending of disposable income. Generally, much of this revenue represents only a shift of consumer spending, which would otherwise be spent locally on other entertainment and leisure activities. “Thus all of the gross tax collected within a stadium cannot properly be attributed because some of that tax revenue elsewhere had that stadium not been built or used” (Noll and Zimbalist, 16).

The third error involves the estimation of the indirect economic impact (thus indirect increase in tax revenue), which are supposedly created by the anticipated increase in spending outside of the sports facility at local businesses. The increase in spending precipitated by the increase in jobs created by the new facility is also cited. These figures are arrived at by estimates of increases in tourist activity and then by attaching the “multiplier” effect to the increases. Noll and Zimbalist contend that these figures are “almost always” over-estimated (16). This is the area that it is easiest to over-estimate because it is one of the most speculative aspects of such studies, and thus hardest to be quantified (Noll and Zimbalist, 14-17).

Chapter 3: Fundamental Economic Assumptions of Professional Athletics.

The irony in practically all of these cases is that the fabulously wealthy individuals or corporations who own each of the teams are more than capable of raising cash to pay for the facilities. Doubly ironic are the claims that the teams, leagues, and other proponents of stadium and arena construction make. Claims that stadiums and arenas are excellent investments. Ironically the team owners seem reluctant to seek funding. If stadiums and arenas are such good investments why don't the teams and leagues spend their own money on them? From the team owners point of view, why would they spend their own money when they can most assuredly pressure their local government to put up the money. If they can't they can always find another city elsewhere that will.

Often times the teams and individuals make claims that they are “losing” large sums of money, or they “can’t field a competitive team due to low revenue,” etc. When most businesses in this country that are facing financial difficulties are forced to solve the problems alone, with very little assistance from the government, that is a fundamental premise of a free market economy. Even the corporations that are subsidized by the government usually generate a substantial, quantifiable (at least to a greater extent than professional athletic investment) economic benefit.

The world of professional athletics has gained immunity from these rules. Not only do professional athletic organizations benefit greatly from public subsidy, they do not even have to conform with federal anti-trust or anti-monopoly legislation (Danielson, 160-164). In 1922 the US Supreme court ruled that "exhibitions of baseball are… purely state affairs" rather than interstate commerce which placed MLB outside of the reach of the Sherman Anti-Trust act (Danielson, 162). The NFL, NBA, and NHL have no such protection they do have the Sports Broadcasting act of 1961 to shield them. In 1961 Congress enacted legislation which allowed professional athletic leagues to "sell national television rights and distribute revenues among teams without violating the antitrust laws" (Danielson, 162). The legislation was passed with the idea that it would help smaller market (poorer) teams compete with large market (rich) teams. This has not been the case, rather this act has kept the leagues free from federal interference and essentially given them the same exemption that the Supreme Court gave baseball in 1922.

Those leagues have an absolute monopoly over their product (Danielson, 160-164). The leagues keep the supply of teams artificially limited by allowing expansion at a rate much smaller than demand. This keeps broadcast, attendance, and merchandising revenues very high for the leagues and teams. This fact also guarantees that investment in a professional athletic team will pay a tidy dividend (for someone who buys a controlling interest in a team, not generally for one who buys publicly traded stock, etc.) (Rosentraub 73-74).

In “Major League Losers” Mark S. Rosentraub declares “A welfare system does exist in this country that transfers hundreds of millions of dollars from taxpayers to wealthy investors…. The true welfare kings and queens of America are the players and team owners whose salaries and profits produce sufficient material for a season’s worth of episodes of lifestyles of the rich and famous” (Rosentraub, 1). Rosentraub goes on to attribute the growth and continuance of this system to the seduction of state and local officials who fail to “do their homework,” on this issue. He claims these officials become “dazzled” by the promise of economic benefits of new stadiums, “mesmerized” by the possibility the increased prestige such facilities might bring and “captivated” by the “mythology” of professional sports (Rosentraub, 1). This leads these officials to make decisions that aren’t in the best interests of the States, cities, and communities they serve and represent.

Rosentraub builds upon these assertions to explain why stadium and arena deals are almost always drafted heavily in the favor of the teams. Most of these titanic deals require little if any contribution from the teams themselves (and none of the deals ever require any contribution from the leagues themselves). The disparity between large and small market teams is the driving force behind most of the stadium deals. Although this also plays into the hands of large market teams, because they can use the abundance of cities who are more than willing to offer new stadiums and lucrative agreements to attract the artificially scarce team. The team, in turn, can use the other offers as leverage to force their hometown to construct a new stadium complete with a large share of the profits and low (if any) lease or rent payments (Rosentraub, 7).

Rosentraub then goes on to examine the need (or lack of) for such a system to maintain the economic viability of professional athletics. Rosentraub states point blank that “the sports welfare system is not needed. By virtually any measure professional sports is an extremely successful business” (Rosentraub, 20). During the 1994 Major League Baseball strike Congress examined the possibility of revoking Baseball’s anti-trust exemption. During this process Congress found that all teams (small and large market), profitable and unprofitable, were increasing in value (Rosentraub, 11). This is an important observation to grasp in order to understand the fundamental economics in the business of professional sports. Some businesses are cash flow oriented, others are sales oriented, and others are measured by the number of consumers who use their services (like many Internet companies). Professional sports investing is based more on the overall value of the team. It is similar to investment in fine art or other rare objects, or very similar to property development and real estate investment. As in a real estate investment, it is about “location, location, location” and the stadium, along with the market, make up a team’s “location.” To further illustrate; a team can be losing money in any given year, yet if the overall value of the team is increasing at a rate that off sets the losses the team is essentially financially healthy (Rosentraub, 15-31).

Overall team value is the benchmark figure by which a teams' economic success should be measured. Yet, to the benefit of professional sports teams the increase in the teams' value is rarely considered in the economic analysis used to assess a team’s “need” for a new stadium. Policy makers and the general public are often told that the team is losing money and that it is necessary to build a new stadium in order to keep the team competitive (and in town) (Zimmeman 119-145). When in reality, quarterly or year-to-year profits are of course important but not as important as the net worth of the team.

One of Rosentraub's primary arguments is that professional teams use the same "the team is losing money" type of arguments in city after city. In case after case arguments that are largely unfounded and which greatly exaggerate the actual benefits (and need) of financing new stadiums and arenas (Rosentraub, 98-127). In many of the cases the local policy makers simply accept the claims and studies presented by the teams and others (who stand to benefit from the projects) and pay little heed to any opposing arguments (including those presented by their own citizenry). The end result of this system is the already rich team owners and players get richer and the cities, states and federal government are left to pick up the tab (at taxpayer expense) (Rosentraub 1-23).

To explain the existence of such gross abuse of the system, Rosentraub gives three primary reasons why leagues and teams have been so successful at pushing governments into such massive subsidies (Rosentraub, 73-83). The first reason is the artificial scarcity of teams, which is maintained by the leagues to keep the level of demand higher than the supply. The result of this is the tremendous amount of leverage teams gain in negotiating new stadium deals. Teams can (and do) move to other cities that are willing to meet their demands if the current city will not. The second reason is that leagues restrict the number of teams in the largest markets (where demand is naturally the highest) thus new teams are created in smaller markets. The result of this is that smaller market teams can not gain revenue proportionate to the large market teams, thus the small market teams are at a severe economic disadvantage (Rosentraub 73-83). This prompts the smaller market teams to turn to the local government for assistance (by demanding new stadiums) in raising their revenue to a level that will allow the team to compete with the large market teams. The third reason is the inadequacy of current league revenue sharing packages, which insures the perpetuation of this disparity between large and small market teams. The result of this disparity is the continuation of the "sports welfare system" (Rosentraub 73-83). Thus Rosentraub places the blame primarily on the leagues, not necessarily on the state and city officials who really can't help themselves for being pawns in this high-stakes corporate game (Rosentraub, 29-31).

None of what Rosentraub is writing is new. Numerous scholars, journalists, and concerned citizens have made these same arguments time and time again, usually to no avail. Other works examined in this review are Field of Schemes, Big League Big Time, Sports Jobs and Taxes, Home Team. All make fundamentally the same argument, based on the much of the same data and a similar line of reasoning. Therefore, I will not rehash this argument again in the remainder of the paper but rather focus on what these other works contribute in addition to the arguments presented in "Major League Losers."

Chapter 4. What Role Does the Media Play in New Stadium and Arena Development.

Stadiums and arenas are not a necessity, and thus they have to be “sold,” to policy makers and the local citizenry. Stadiums are a luxury. Stadiums don’t solve problems (generally they only create them), they don’t eliminate the need for services, they don’t lower the crime rate, feed the homeless, or improve education. From the viewpoint of the policy makers and the general public there has to be at least be some benefit to spending hundreds of millions of dollars that could otherwise be used on something more worthwhile (like lowering taxes). So teams need to come up with some “reasons,” and they need to relay that information to not only the policy makers but also the general public. This is where the media comes in. In practically every instance of new stadium or arena construction massive public relations campaigns were launched in order to secure public and political approval. (Cagan and de Mause, 110-114)

As much as professional sports teams need the media, the media probably needs the teams even more. “Information and news about sports accounts for approximately 20 percent of the material included in newspapers” (Rosentraub, 51). Sports news is very popular, but it’s also very cheap for the media to cover. Advertisers are not oblivious to the importance sports plays either. The media generates massive advertising revenue during sports coverage, and in the sports section. All one has to do to appreciate this is to look at the cost of advertising during the Super Bowl, which is normally the highest cost advertising per second of all television advertising.

The connection between sports and the media runs deeper than just mutual interest in reporting on the games and in advertising. The media benefits from professional sports to such an extent, that most papers and television stations are more than willing to lobby local policy makers on behalf of the home team (usually for free). A new stadium benefits the local media in many ways. Stadium and arena construction generates some very newsworthy occurrences in and of itself. When the team performs well there is inevitably more interest in the team, and thus readership and viewership increases, and the media profits.

Chapter 5. The Economic Impact of Stadium and Arena Construction: Real and Perceived.

In Sports, Jobs, and Taxes Robert Baade and Allan Sanderson discuss the different ways in which new stadium and arena construction affects local employment (92-118). Baade and Sanderson discuss the major flaws in many of the studies which are commissioned by professional athletic teams and municipalities which desire to build a new facility or are simply examining the possibility. The key to their arguments in general is understanding what type of industry professional sports really is, an entertainment and service oriented industry, not a manufacturing "export" oriented industry. Baade and Sanderson argue that building new professional sports facilities do not generate new "jobs" at the level most studies claim they do (101).

Noll and Zimbalist discuss the amount of "new" positive economic benefits generated by industries which export a product to another region thus generating profits elsewhere and bringing the money back into the local economy is entirely different from non-export industries (Noll and Zimbalist 65-74). Non-export industries tend to make a profit at the expense of another local industry, granted new business and industry does have a "multiplier" effect but estimating the exact impact of such is very speculative and dependent on continued local economic growth in order to not negatively affect the local economy (Noll and Zimbalist, 65-74).

Professional athletics is an entertainment-oriented industry, and thus competes (directly or indirectly) with other leisure and entertainment businesses. Therefore, a professional athletic team will be in competition with local golf courses, restaurants, bars, casinos, movie theaters, and even local retailers (especially regarding team merchandise). So professional athletic teams do tend to cut into the profits of local non-export oriented businesses, simply because local residents only have a finite amount to spend and adding new forms of entertainment simply dilutes the market. The only way this is offset is if the team somehow encourages net economic growth in the local economy. Proponents of new stadiums tend to argue that the facilities will increase tourism sufficiently to mitigate any negative effects on local businesses, but Noll and Zimbalist argue that increases in tourism generated by these facilities is also often over-estimated (69-74).

Noll and Zimbalist contend that most of the people that attend games are locals. Thus, those individuals would be spending their time and money elsewhere if there were no team, generating greater revenues for other local businesses (69-74). Noll and Zimbalist also contend that the non-attendance-based revenue (broadcasting and merchandising) does not have a sufficiently large positive economic impact on the local economy to offset the loss in revenue to other area businesses. One of the main reasons that these team revenue in general does not impact the local economy is due to the large share of the revenue that is expended on player and coaching staff salary and compensation, which tends to take flight from the local economy.

One of the first mistakes many of the studies tend to make is the failure to appreciate the existing number of jobs at the existing facilities. Baade and Sanderson term this as a failure on the part of the researchers to differentiate between "net" and "gross" gains in employment (92-99). Often these jobs are counted again and simply dubbed "new" jobs. The only way all of the jobs would be new is if the city had no professional athletic team before the stadium or arena was constructed. The most important figure when estimating job creation is of course the "net" gain, which would be calculated in a situation in which there is an existing facility and team, by subtracting the estimated increase from the existing figures. This seems so common-sensical and basic it is hard to imagine how any self-respecting researcher could overlook this, but they often do.

The second major flaw in many of the studies is the tendency to dramatically over-estimate the secondary job creation because of a new facility (or a new team and facility). The number of full time, high paying jobs that a professional athletic team creates is usually very small somewhere in the neighborhood of 2% of the team's staff (Baade and Sanderson, 99). This 2% would be the players, coaches, and professional administrative and support staff, the vast majority of the new jobs created would thus be "seasonal" service industry work (Baade and Sanderson, 92-117). For example: grounds crew members, security staff, parking attendants, concession and retail stand employees, all make up what constitutes the bulk of the "new" jobs that are created by athletic facility. The majority of those jobs are seasonal, especially in most baseball and football facilities, which don't generally host as many events as the more versatile basketball and hockey arenas.

Even the highest paying jobs created, those of the coaches and players, have much smaller impact on the local economy than one might think (Baade and Sanderson, 99). According to Baade and Sanderson the vast majority of players and coaches maintain a primary residence in another city and only generally live in the city in which they play during the season (99-102). Once the players and coaches retire they almost always end up moving away from the cities in which they play to more desirable and affluent areas (perhaps Beverly Hills or Palm Beach). Even if the players and coaches pay income tax in the state in which they play their spending is often much lower than that of comparable income earners due to the volatility of the job market in professional sports. For example: players careers are usually very short (often ten years or less) and coaches are frequently fired. As a result players and coaches tend to save and invest more money than average income earners. So players and coaches tend to spend less than others in their respective income bracket, thus often resulting in a lower than anticipated economic impact (Baade and Sanderson, 92-117).

Chapter 6. Alternative Methods of Funding Stadium and Arena Construction.

As the cost of stadium and arena construction continues to escalate, teams and municipalities are being forced to find alternative funding methods. In most cases teams have arranged to reap most of the benefit from these methods, which are generally used to offset their costs rather than the cost to cities and states (Cagan and de Mause, 54-61).

Personal Seating Licenses.

Personal seating licenses or PSLs have emerged in recent years as a popular method to increase preliminary revenues on stadiums and arenas to offset finance costs. Personal seat licenses have also been called bonded seat licenses, charter ownership agreements, and seat options (McCarthy, 41). Generally a PSL is just what it sounds like, it is a license granted to an individual granting that individual the right to purchase season tickets for the given seat(s). The individual not only has an option to purchase tickets for the given seat(s) the can give the tickets (or sell) to anyone they want (McCarthy, 41). The PSL owner can also transfer (and/or sell) the actual PSL also. So PSLs have a commodity like quality for the owner, if they decide they don't want them or they are moving away they can just sell them. Their return is usually based on scarcity (which usually hinges on the team's performance) (McCarthy 41). Further the owner can will them to a spouse or child. The only real risk associated with purchasing PSLs is the length of time for which they are purchased. A PSL can be offered on an *ad infinitum* basis also which generally gives the owner more value for their initial investment (McCarthy, 41). Teams that have offered the PSLs with no expiration have generally generated more revenue from them (McCarthy, 42).

The great thing about PSLs is that the people paying for them are the people that are going to use them, which is much more fair that charging taxpayers at large for something they aren't going to use and something that arguably isn't worth the investment. Clearly the owner of the PSL gets a direct return for their money.

PSLs are very a very effective method of raising large amounts of cash for new stadiums. In 1996 the Carolina Panthers raised nearly $90 million dollars (out of $247.7 million) by issuing PSLs that went directly to paying for the construction of Ericsson Stadium in Charlotte, North Carolina (McCarthy, 42). The benefit to the team is that they really aren't giving anything up, they can charge essentially whatever the market will bear for season tickets (McCarthy 41-45).

Naming rights-

Naming rights have grown in popularity to such an extent that practically every stadium bears the name of a sponsor (Cagan and de Mause, 53-54). To mention just a few examples; Air Canada Center, Le Centre Molson, Bank One Ballpark, Pacific Bell Field, Edison International Field, and on and on (www.ballparks.com). Selling naming rights to a stadium can potentially generate tens of millions of dollars. The sale of naming rights is a risk free method of lowering finance costs of stadiums, basically "free money." Unfortunately, in many stadium construction deals the teams negotiate the right to a portion, or all of the revenue from the sale of naming rights, which either goes into the team's share of the contribution or in some cases directly into the team's coffers (Cagan and de Mause, 53-54).

Pouring rights-

Pouring rights are the sale of an inclusive (or usually exclusive) right to "pour" or sell beverages in a professional sport facility. Companies like Anheuser-Busch, Miller Brewing Company, Molson, Pepsi, and Coca-Cola pay a fee (or in some cases a portion of the profits) to sell their products in the stadium. Pouring rights can generate tens of millions of dollars in revenue. Generally a share (usually the lions share) of pouring rights revenue is granted to the team. Often times the company also pays for the right to call itself the "official" beverage of the given facility along with being granted a certain amount of advertising space inside the facility (and perhaps on the exterior and signage also) as well (Danielson, 59-61).

Advertising rights-

Advertising rights can range from naming and pouring rights to placing logos on the backs of seats and tickets. Generally advertising rights (other than naming and pouring rights) aren't included in stadium finance packages. Creative advertising rights sales can generate tens of millions of dollars of revenue as well.

There are countless promotions and cross-promotional opportunities for teams to exploit which can generate revenue increases. These revenue streams could conceivably be used to lower finance costs as well. Unfortunately teams are usually in a good enough negotiating position that such possibilities are overlooked as not being worth the effort (and potential aggravation to the team) to pursue due to the uncertain and usually small amount of revenue produced (at least in comparison to the hundreds of millions being spent on the facilities) (Cagan and de Mause, 51-61).

Chapter 7. Phoenix, Arizona and Major League Baseball.

1989 Phoenix residents rejected a popular referendum to institute a new sales tax to fund construction of a stadium in the hope of attracting one of the new MLB expansion franchises, which was promptly rejected (Sherman, 58). That same year Arizona House Bill 1344 was introduced on the Arizona State house floor sponsored by State Representative Chris Haberstam (with support of Gov. Rose Mofford who championed the bill in the Arizona State Senate) (Sherman,57-59). The bill granted the Maricopa County Board of Supervisors the legal authority to institute a ¼ percent county sales tax to raise funds (the amount was left up to the county to determine) for a new professional athletic stadium (baseball only) (Sherman, 57-59). The bill also gave the county board the authority to do so without voter approval .

In 1990 Rep. Haberstam contacted Jim Bruner (Elected to the County Board in 1988, he was Chair in 1990) and encouraged him to take up the fight to attract a team to Maricopa County (Sherman, 75). Bruner liked the idea and decided to take up the banner. The next question then became who would be up to the task of undertaking such a momentous (and expensive) task.

That question was an easy one to answer. Arizona has traditionally been a state with its economy heavily dependent on real estate development for sustenance and stability. The 1970s were boom years, but the boom went bust in the 1980s and most of the institutional and wealthy individual investors were unwilling to invest in a large, fairly speculative venture such as a stadium. Also most of the funding in Arizona that would have ordinarily been available for such a project was tied up in the new arena project for the Suns (Sherman 71-82).

Thus Jerry Colangelo (owner of the Phoenix Suns) was essentially the only viable candidate in Arizona at that time to undertake such a project. He had the connections, and fund raising abilities that would be necessary to raise the cash to purchase a team, but he also had years of professional athletic team management and ownership under his belt. Bruner along with Joe Garagiola Jr. approached Colangelo in the hopes of convincing him to seek ownership of an MLB expansion team (Sherman 76-77). Colangelo was at that time bust with the expansion of the new Arena for the Phoenix Suns. He listened to the presentation and told both men he would get back to them after he had a chance to assess the viability of such an undertaking in Phoenix.

Colangelo did his homework and came to the conclusion that the time was right for Phoenix to seek a team. He agreed to come on board as the team owner and put together the financing to purchase the new team. The irony was that Bruner would be in charge of the negotiations between the team and the county when the time came to build the stadium (Sherman 76-78).

In the end, Bruner did a decent job of protecting the county's interests. He insisted on a tax cap (even if there were delays or cost over-runs), a share of the naming rights, and luxury box revenue for the county. Many other stadium authorities and municipalities have failed to secure such concessions and been left to foot the bill with little or no compensation.

Unfortunately, the situation surrounding the final vote on the stadium finance deal was extremely controversial and the board was split. The deciding vote would come down to Bruner. Board Member Tom Rawls made a statement prior to the meeting stating that he felt there should be a referendum on the issue. Rawls also claimed that two of the other members who supported the deal had "secretly gone to Colangelo and worked out a stadium deal on their own, satisfying their concerns and priorities" (Sherman, 78). Another thing on Bruner's mind was his recent decision to seek a seat in the US House of Representatives that would be up for grabs in the upcoming election. He had been given the Republican Party nod as the party's choice, and the local media was portraying him as a lock to win the election (Sherman, 80). With all of that to consider, Bruner felt that the stadium would be a great benefit to Phoenix and it was the right thing to do. He voted in favor of the deal and the motion passed 3-2. Maricopa county would spend the next four years accruing the promised $238 million.

Bruner finished 3rd in the primary. He paid the price with his political career. The voters were outraged and placed most of the blame on him. As of 1998 Bruner was an executive vice president for the National Bank of Arizona and still one of more prominent citizens of Phoenix (Sherman 80-81).

On the day the tax was retired, the price of an Iced Tall Latte at Starbucks in Scottsdale fell from 2.41 to 2.40 shortly thereafter ground was broken (Sherman 81). The Stadium now known as Bank One Ballpark opened on March 31, 1998 and eventually cost at least $354 million (although some outside estimates claim the cost was actually $414 million) (Ballparks.com). The facility has a retractable roof (capable of closing in 5 minutes), a swimming pool in the outfield. "Eighty-five percent of Bank One Ballpark's 48,569 seats are located between the foul poles. There are 69 luxury suites located at the mid-level of Bank One Ballpark, as well as six additional party suites" (Ballparks.com). This case really does a good job of illustrating how public funding of stadiums plays out in many areas. Politicians like Bruner get to know the team owners, see the drawings, look at the studies making claims of dramatic economic benefit, and they savor the chance to make their city a "major league" city. The voters don't always see it that way, they sometimes see stadiums as a potential economic titanic capable of sinking their local government financially.

The period in which this decision was made was one of economic uncertainty in Arizona and across America, the economic recession still had the nation grappling with fiscal woe. Bruner claimed he did the right thing, the only thing any sensible person would have done in his position, but the voters did not agree (Sherman 81-82). At any rate, Phoenix now has a two-year-old state-of-the-art facility of which it can be proud, at least for now (until the Diamondbacks begin the inevitable quest for a new stadium).

Chapter 8. Seattle-

When one thinks of Seattle, images of Starbucks, Boeing, Amazon.com, and Weyerhaeuser (international wood/paper products giant), come to mind. Some will even think of the Space-Needle or Pike's Place Market. The average American tends to see Seattle as unique or diverse, beautiful city. Also seen as a veritable economic cornucopia, Seattle is "the spoiled rich kid of the nation" (Seattle Shivers). One might conclude that if there is a city anywhere that can afford to spend some money on professional athletic facilities that Seattle would be it. However, when one begins to look beneath the national media's portrayal of Seattle a less idyllic picture begins to emerge.

Seattle is a vibrant, dynamic, modern metropolis, there can be no doubt about that. Citizens of Seattle generally enjoy a good quality of life as the unemployment rate is around 3% and high paying jobs with good benefits are abundant (Seattle Shivers, 42).

Downtown Seattle has a unique feel to it, very diverse and cosmopolitan, plenty of entertainment yet surrounded by the ever-present natural beauty of the Puget Sound and vistas of the Cascade and Olympic Ranges. Washington is a state renowned for its pristine rivers, lakes, and forests, appropriately dubbed “the Evergreen State.” What could possible go wrong in such a wonderful setting?

As it turns out though, that all is not well in the emerald city. From the recent WTO debacle to the impact the Asian market collapse has had upon the state’s economy (particularly the agricultural sector) to the uncertainty surrounding the anti-trust suit against Microsoft. An unprecedented disparity in wealth (for example the average Microsoft Employee earns $237,000.00 while the average for the rest of King County residents is $34,300.00) (Seattle Shivers, 43). Boeing has reduced its local workforce from 107,000 in 1998 to less than 80,000 (Seattle Shivers, 43). Some experts speculate that Seattle’s dot-coms could actually be lagging behind their competitors in moving into the business to business side of e-commerce which hold the potential to unleash the next wave of fiscal expansion in the tech sector. A very serious example of just how these problems have affected Seattle are apparent in recent trends in the flow of immigrants to the city. Migration away from Seattle has surpassed emigration for the first time in almost 25 years (Seattle Shivers, 43).

One of the biggest problems residents of King County and the greater Seattle metropolitan area face is just getting to work. Seattle has become the national poster child for transportation problems. Transportation budgetary issues are looming on the horizon, due to the passage of a recent ballot measure that reduced the state’s vehicle license fees. The fees, which were formerly based on the value of the vehicle being registered, have been reduced to a flat fee of $30.00 (Seattle Shivers, 43). Now the question isn't just how to solve the transportation nightmare, but also how to fund the solution. Now the state faces a dramatic scale back of its plans for highway repair and expansion any large-scale mass transit projects and even potential closure of certain Puget Sound ferry routes (Seattle Shivers, 43).

Yet in the face of all these problems, the state of Washington, King County, and the City of Seattle (primarily) has shelled out a whopping $700 million for construction and renovation of Seattle's three professional athletic facilities (this figure does not take into account any additional spending on adjacent improvements in roads, parking structures, bus stops, etc.) (Rosentraub, 4). Seattle truly has taken stadium construction to an extreme. Does such staggering spending on stadium construction make sense for a city facing so many problems? No, obviously not, yet this is a typical decision that public policy makers have consistently chosen to make around the country with increasing frequency. Unfortunately, it seems very apparent that residents of Seattle and the State of Washington could have collectively benefited more if those funds were spent on something else.

Key Arena and the Seattle Super Sonics-

In 1991 Key Arena was at a "crossroad" in that its primary tenant, the Seattle Super Sonics, had "outgrown" the facility (Burton, www.djc.com).. The team was clamoring for more luxury boxes and club seating along with an overall increase in size and an improvement in concession and retail facilities. Ackerley Communications, Inc (Burton, www.djc.com). (the team's owner) desired a new facility and was determined to get one. After pursuing a variety of possibilities the team was left with no viable sites and a much smaller contribution from the city than it would need to build a facility from scratch. Out of concern over the possible loss of the team the mayor of Seattle asked Seattle Center officials for suggestions (Burton, www.djc.com). Seattle Center officials didn't want to see the team move off to another site, because the team was at that point supporting the arena, and the chances of attracting another tenant like the Sonics would be highly unlikely (Burton, www.djc.com)..

The only solution that would satisfy both the interests of the Sonics and the Seattle Center would be to build on the existing site, or better yet simply renovate the facility (Burton, www.djc.com).. A feasibility study was conducted which focused on the current structures; structural adequacy, the viability of mining or digging out the interior of the arena to increase the size of the facility, and could the existing structure be upgraded to meet the new and more strenuous seismic requirements. The study found that two of the requirements could be met, at a net saving, over the estimated cost of building a new facility (Burton, www.djc.com).. The roof was a requirement that the study was inconclusive about. Skilling, Ward, Magnusson, Barkshire, Inc., an engineering company, stepped in to the process as a consultant by stating that it would be possible to upgrade the structure to meet earthquake requirements (particularly the tricky cable net roof) (Burton, www.djc.com).. Thus, the project was given the go ahead. By June of 1994 work began on the facility which was completed by the beginning of the 1996 season.

Basically, the renovation would include two main phases. The first would be replacing the four-acre cable net roof with a visually identical one that used a system of steel trusses in place of the cable net. The second phase would be the carving out of the bowl of the arena. The 200,000 cubic feet of material that was removed from the interior of the arena was used in the construction of a near by golf course (Burton, www.djc.com).. Essentially, Key Arena retained its exterior appearance. The interior has grown by 3000 seats, three entirely new seating levels, and twice the number of luxury boxes and club seats, along with updated and expanded concession and retail facilities (www.ballparks.com).

The project's cost to the city was estimated at $74 million, this figure does not include a $15.1 million payment Key Bank paid for naming rights. The Seattle Sonics invested an additional $15 to $20 million dollars in concession facilities (thus the total cost of the facility is estimated to be closer to $130 million dollars) (www.ballparks.com).

Unlike Seattle's other professional athletic venues Key Arena is not a brand new facility. Key Arena was built in 1962 for the Worlds Fair along with other Seattle Center attractions like the Space Needle. Key Arena truly is a "recycled structure" the exterior or superstructure of the building is essentially unchanged (baring some adjustments and modifications to increase seismic event resistance) (Burton, www.djc.com). Even the removed interior material was put to good use as fill for a new golf course, in the area. The end result of the project has been to keep the arena profitable for the Seattle Sonics, and the Seattle Center. The city wasn't called upon to use its powers of eminent domain, the taxpayers of Seattle, King County, and the State of Washington weren't called upon to pony up hundreds of millions. This project could probably be considered a "best case" type of scenario in the world of arena finance and construction.

Seattle Mariners-

By the time the bonds on Safeco Field are paid off the facility is likely to have cost over $600 million dollars. The Mariners not only have received an astounding facility for a 1/6th contribution, they have a simply ridiculous lease agreement. The lease agreement is the equivalent of a $15 per month lease on a $100,000.00 home (www.clean.com). The Safeco Field saga really began on December 6th, 1991 when the owner at that time Jeff Smulyan decided to put the M's up for sale. Smulyan cited escalating player salary costs, poor team performance, and frustration at low attendance numbers, (Danielson, 166) as his reasons. Smulyan sold the team at the "eleventh hour" to Hiroshi Yamauchi (at that time worth an estimated $1.5-billion, and a controlling 15 percent of Nintendo Co. Ltd.) along with a local group of investors who put together the necessary funding to keep a group from St. Petersburg, Florida from gaining control over the team (Bennett, NewsBank). After only three years of ownership a larger share of the team was sold to the Nintendo Corporation of America (a subsidiary of the Japanese video game and electronics manufacturing giant) by the other investors, which gave Nintendo a controlling interest in the Mariners (Bennett, NewsBank).

In the fall of 1993 the team began its quest for a new stadium, and by September 28, 1995 resorted to issuing an ultimatum (Almond, Schaffer, Seven, Clutter, A1). The Mariners threatened that if King County, Seattle or the State of Washington could not put together a new stadium-funding package by October 30th of that year that the team would make plans to relocate (Almond, Schaffer, Seven, Clutter, A1). The following day Washington State Governor asked the state legislature to meet in a special session to try to "save baseball" in Seattle . By October 14th, 1995 the legislature had approved a $320 million dollar funding package. On October 23rd, 1995 King County had approved additional funding via a restaurant and tavern meal tax. Shortly after that a stadium authority board was appointed by the Governor and the King County Manager to oversee the disbursement of the funds and completion of the stadium (Almond, Schaffer, Seven, Clutter, A1).

The next three years would mark more banter back and forth between local and state government, Seattle and King County Citizens and the Mariners over the Stadium finance issue. By 1997 the Mariners had weathered the storm and on March 8, 1997 groundbreaking ceremonies were held, just a little over two years later Safeco field would host its opening game on July 15, 1999 (www.ballparks.com).

The State of Washington's final contribution to Safeco field was funded by a .017% addition to the State's sales tax (within King County only) (www.ballparks.com). All proceeds from special Mariners License plates and all the proceeds from 3 lottery scratch ticket games. King County instituted additional taxes on restaurant and tavern meals, rental cars, and a stadium admission tax (www.ballparks.com). The total that these new taxes are supposed to eventually raise will be the agreed upon $340 million plus the interest on the bonds that were issued (www.ballparks.com). The Mariners contribution was $75 million dollars (www.ballparks.com). Currently the cost over-runs are still being calculated (as of March 20th, 2000) but they have been estimated to be over $100 million dollars. The Mariners, King County and the State are locked in a dispute over who should pay.

Safeco field has been hailed as a classic (by stadium architects and engineering firms), it was designed in a similar fashion to Jacobs's field, and Arlington Park with an effort to re-create the old ballpark feel. In actuality the design is more akin to a Disneylandish approach to creating something entirely new and calling it a "re-creation" of a classic. The most expensive feature of Safeco field is the 22 million pound retractable roof, which there are no exact cost figures on. Based on the extraordinary engineering difficulty of such a structure it is probably safe to assume that the roof cost more than $100 million alone.

Seattle Seahawks-

Ken Behring, former owner of the Seattle Seahawks is an excellent example of the new breed of professional sports team owners, like Wayne Huizenga, Jerry Colangelo, Rupert Murdoch, etc. Ken Behring began his climb to the Forbes 400 from modest beginnings. He started out as a small developer in Florida during the 1950s. The story of his success began with a simple idea, to build a community of small homes around central amenities such as swimming pools, large common lawns, and gardens. Behring continued to build developments with this formula throughout Florida, gradually amassing a sizable fortune in the process (Sameulson, www.forbes.com). The next big idea that came to Behring was not his own, but a suggestion of a friend, the suggestion was that Bearing's style of housing development would do well in California. In 1972 Behring decided to act on this suggestion and subsequently located a large parcel of land in the Mount Diablo foothills in Contra Costa County near Oakland (Sameulson, www.forbes.com). By 1988 Behring had sold the last remaining parcels of some 2,500. Many of the parcels went at prices well in excess of one million dollars apiece. By 1996

Behring was worth an estimated $300 million and ranked among the richest 400 individuals in America (Forbes 400 1989, $350 million by 1996) (www.forbes.com). One of the results of Behring's new wealth was that it put him in a position to purchase a professional athletic franchise (Sameulson, www.forbes.com).

In 1988 (right about the time Behring was concluding his last sale at Mount Diablo) the Nordstrom family had placed the Seattle Seahawks up for sale. Behring bid on the team ($80 million cash, $20 million in assumed debt) and won (Sameulson, www.forbes.com). Behring was also simultaneously starting a new large-scale development in the Seattle area. The development would be very similar to the one he had just completed at Mount Diablo. The key to the development was the panoramic views most of the homes would have (once the second growth timber was clear-cut from the property). Behring had another development killing in his sights, but failed to appreciate local municipal development ordinances governing the removal of timber. No one wanted to pay $180,000.00 for a lot with no view (in the early 90s, but they probably would today though). Behring eventually sold his interest in the property to a local developer at a $5 million dollar loss (Sameulson, www.forbes.com).

Behring's ownership of the Seahawks was from the very beginning irritating to Seattle area fans. During this period Californians were literally pouring into the Pacific Northwest (particularly Seattle and Portland) and Behring was seen as more of one of the "carpetbaggers" from California than as an upstanding developer. All during his ownership of the Seahawks Behring remained a California resident, which also made fans uneasy about Behring's ultimate plan for the Seattle Seahawks (Sameulson, www.forbes.com). If Ken Behring was seen by Seahawk fans and Puget Sound area residents as a “Carpetbagging” Californian with a scheme to steal their team, Paul Allen was their “knight” in shining armor. Allen had amassed his multi-billion dollar fortune alongside Bill Gates at Microsoft (Keene, NewsBank). Unlike Behring, Allan was a life long resident of Seattle and thus seen more as a local boy, “who had done good”, than a cloistered billionaire. Microsoft had contributed greatly to the area’s dramatic economic growth and as the second largest stockholder in the company Allan had another positive aspect for his public relations campaign and residents to latch onto (Keene, NewsBank).

The Seattle Seahawk stadium deal does an excellent job of illustrating how one of these campaigns can be taken to an extreme. Paul Allen spent over $6 million dollars on the campaign to secure public approval to finance the new stadium for the Seahawks. That fact alone is eyebrow raising, yet the most fascinating aspect of the campaign was the private funding of a public referendum. Paul Allen paid $4.2 million dollars to the State of Washington to fund (entirely, which he also earned an exemption from having to gather the required number of signatures also) a public referendum, Proposition 48. This $6 million dollar investment paid off wonderfully. The voters narrowly approved the measure and Paul Allan, the nations third wealthiest man in 1997 (currently #2), would be granted a $300 million dollar subsidy to build his team a stadium.

On June 20th, 1997 Ken Behring sold the Seattle Seahawks to Paul Allen for $200 million. With adjustment for inflation, Mr. Behring made a 79.4% profit, and even with a major investment blunder the “Californian carpetbagger” returned to the golden state wealthier than ever (Rosentraub, 58). Paul Allen purchased the team on the condition that a new stadium would be built for the team.

The Kingdome-

In 1968, residents of Seattle and King County were called upon to vote on whether or not to issue $69 million dollars in bonds to pay for a new domed stadium. The referendum narrowly passed after two tries and the Kingdome was born (www.ballparks.com). Although it took nearly 8 years to complete, the Kingdome opened on March 27,1976. The Kingdome was a perfect fit in Seattle, which is known for its cold rainy fall and winter months. The facility kept the field dry and the fans warm (relatively warm anyway). Upon completion the structure was an instant landmark, while not the tallest structure in the city it dominated the skyline with its shear size and gave Seattle another structure that it could be identified with. People from around the world recognized the Space Needle and the Kingdome. On March 26th, 2000 the structure was imploded. The structure had spent its entire existence defying gravity the roof alone was a five inch thick solid concrete mass that weighed over 25,000 tons, which took less than 20 seconds to come tumbling down. The Kingdome was just a day away from being 30 years old (Dome becomes dust…, www.seattlep-i.com).

Over its life the Kingdome hosted concerts, trade shows, Goodwill Games events, NCAA men's basketball tournament events (including the final four) among others. All told the Kingdome hosted over 3000 different events, which drew an estimated 58 million visitors over the years (www.ballparks.com). Primarily though, the Kingdome was known as home to the Seattle Mariners and the Seattle Seahawks. Some people thought the structure was dull and ugly, and some thought it had a kind of majestic beauty, but nearly everyone was impressed by its immensity.

The Kingdome was imploded to make way for a new stadium for the Seahawks

(Dome becomes dust…, www.seattlep-i.com). The new stadium will cost an estimated $425 million (although cost over-runs are typical so the structure will probably cost closer to $500 million) (www.ballparks.com). If the new stadium lasts as long as the Kingdome 30 years the initial cost represents about $14.16 million dollars per year. That number does not factor in future renovation, upkeep, or any other unforeseen problems (that is just $425 million dollars divided by 30 years). Safeco field had a cost of roughly 517 million (so far without all of the over-runs). If Safeco lasts 30 years that facility will cost 17.23 million per year (517/30). So the new facilities will cost $31.39 million dollars per year if they last 30 years. By comparison, the Kingdome cost about $2.3 million per year of useful service, even factoring in for inflation the new facilities clearly are much more expensive than the Kingdome ever was (this does not include maintenance, renovation, etc., just $69 million/ 30 years). These numbers don't mean much, but they do a good job of putting things into perspective.

The new facility will be an open air stadium, in Seattle a city that has an annual rainfall of over 40 inches per year, only 70% of the seats will be covered (do the math, fans are going to get wet) (www.ballparks.com). The Kingdome had to be replaced by two facilities, the stadium and a convention center due to the stadium design, and the Seahawks insistence that the facility be designed for football only. During the referendum Allan's PR campaign mentioned the possible use of the Kingdome by a soccer team and the enhancement of Seattle's ability to attract the Olympic games. Any talk about soccer has been dropped, the Stadium will probably end up the exclusive domain of the Seahawks, thus remaining unused during the off-season. The stadium will have over 10,000 club seats and over 100 luxury boxes (16 at field level). State of the art concession and retail space is also planned (www.ballparks.com).

Chapter 9. San Francisco:

San Francisco has the distinction of being one of the few cities that has collectively just said "no" to large scale funding of a major league stadium. Ironically, San Francisco also has the distinction of approving one of the most expensive stadiums as well. Between 1984 and 1992 San Francisco went through no less than four ballot initiatives in an attempt to secure public funding of a new baseball stadium. Each time the team used intensive advertising campaigns, and made veiled threats that if public funding wasn't made available for a new stadium the team would look for another city that would build a new stadium. Each time the initiative failed, and the team made no serious efforts to relocate, until 1991 when the last initiative failed the team was put up for sale (Almond, 1997, Newsbank).

The Giants-

In 1992 a group of local investors, led by Peter Magowan (owner of number of Safeway grocery stores) and Donald Fisher (founder of The Gap, clothing store) purchased the San Francisco Giants. Magowan and Fisher understood that public investment in the park was not going to happen, so they sought private funding for the facility. The final funding package broke down into; a $104 million dollar loan from Chase Securities (with an additional $41million borrowed recently to cover cost over-runs), a $105 million earned from naming rights, pouring rights (beer and soda), PSL sales, etc (Almond, 1997, Newsbank).

San Francisco did end up contributing the final $15 million which was earned in tax-increment financing. The $15 million dollars from the tax increment funding would go primarily to pay for site improvements, like sewer, sidewalks, drainage, etc. The city also "donated" or contributed the 13 acre piece of property on which the stadium has been constructed (the estimated value of this property was unavailable) (www.ballparks.com). The site is in a primarily industrial area (south of the Embarcadero). San Francisco officials hope that the stadium will encourage further development in the area, which up to the time of the groundbreaking had become something of a multi-media industry center. Even if one estimates the value at one million dollars per acre, the total contribution by the city is less than $30 million (including the increment-tax financing). It would seem reasonable to assume that the new park will in fact generate enough new spending, new jobs, and an increase in adjacent property values that should be sufficient to completely off-set this expense in the long run.

The San Francisco Giant's new home, Pacific Bell Park, is on schedule to open in April of this year. The overall seating capacity has been reduced from 63,000 (Candlestick Park's capacity) to 42,000, this is partially due to an increase in the space taken up by luxury boxes, club seating, and other added amenities (www.ballparks.com). The reduction in seating is also due to the lack of need for capacity since Pacific Bell Park will only be hosting professional baseball games, and not football as Candlestick park did (www.ballparks.com). This is also in keeping with recent trends in Baseball park design as well, which focuses more on creating a more intimate atmosphere. The park also has the distinction of being served by more public transportation than any other ballpark in the country. The facility is supposed to have some impressive vistas of the bay and the skyline of San Francisco, it will certainly rank among the most beautifully situated stadiums in the country. An adjacent bayside "promenade" will be constructed that will house retail shopping and a ferry dock and allow passers by to watch the game at no charge (that should be interesting) (www.ballparks.com). There is little doubt that Pacific Bell Park will dramatically increase revenue for the Giants. It will also raise the bar on Major League Baseball stadium construction yet again, potentially costing teams (and cities) even more to build the fields of their dreams. Hopefully the message other teams will get from Pacific Bell Park is that they can make money by financing their own stadiums and it is the socially responsible thing for them to do.

The 49ers-

The San Francisco 49ers had been very successful both on and off the field up until the mid 1990s. The 1980s were a good time for the 49ers. Eddie DeBartolo' had money pouring in from his share of the families development company, and he spent freely on his team. There was not much pressure to make large profits, the focus was on winning. The San Francisco 49ers were Super Bowl champions in 1981, 1984, 1988, 1989, and 1994 (www.ballparks.com). The team could not keep up the stellar performance it had somehow managed in the 1980s and gradually the 49ers dynasty crumbled. By the late 1990s the team was just another mediocre NFL franchise. The team was unable to maintain its astounding performance on the field, and Eddie DeBartolo was unable to maintain his astounding spending. In 1994 the team began to seek a new stadium, hoping that with increased revenue the team could reclaim its position on top in the NFL (Delgado, NewsBank).

The problems for the team began in 1997 when team owner Eddie DeBartolo paid an illegal bribe to an official in Louisiana to gain a gaming license to operate a riverboat casino. DeBartolo was placed under investigation in the fall of 1997 and by December of that year the FBI had compiled enough evidence to inform DeBartolo that he was under investigation and would probably be charged. DeBartolo immediately distanced himself from day to day operations of the 49ers, in the hope that the league wouldn't take action. In 1998 Eddie swapped his interests in the 49ers with his sister, Denise DeBartolo York, for an increased share of the families holding company in an effort to further distance himself from the team (Delgado, NewsBank). DeBartolo was fined $400,000 by the court and $1 million dollars by the NFL. DeBartolo even ended up losing the team to his sister on March 20, 2000 due to a $94 million dollar debt owed to Simmon-DeBartolo the families holding company (Delgado, NewsBank).

Today the team is worth more to the owners without a new stadium, because the debt the team would have to take on in order to build a new stadium would be immense. The based on the original plan the team would probably have to take on at least $200 million dollars in debt to finish the project as it was originally proposed. The York's will probably keep the team for another two years but after that they will probably sell their interest in the team. For the 49ers a new stadium would represent a long term investment. So for now the 49ers will stay at Candlestick and San Francisco will avoid having to pay for a new facility (Delgado, NewsBank).

In 1995, voters of San Francisco narrowly approved a $325 million dollar public contribution to a stadium mall complex to house the 49ers (www.ballparks.com). The Mills Corporation would have operated the massive mall that would stand next to the new stadium. From very early on costs continued to escalate until over-runs were expected to push costs above the $700 million mark. At that point, the trouble with Eddie DeBartolo began and the 49ers put the project on hold (www.ballparks.com). The team is currently locked in a dispute with the City of San Francisco over one million dollars the team apparently still owes the city for its share of the naming rights (Candlestick park was renamed 3 Comm Park).

Chapter 10. Anaheim:

Anaheim similar in size to Seattle (516,259, and roughly 84 square miles) and San Francisco (798,921 and roughly 47 square miles) encompasses its own county. Anaheim is a city very different from Seattle and San Francisco in many ways. Anaheim is a large city (48 square miles) but it is not as densely populated as the two aforementioned metropolises. It is surrounded by dozens of very large cities, which make up the greater Los Angeles area. Anaheim's proximity to such a large outlying population base is also a prime factor in considering stadium and arena construction in the city. Anaheim is a city, which has over three hundred thousand residents and is the tenth largest city in California, and the fifty-ninth largest in the US (www.Anaheim.net). Anaheim is not as culturally diverse or as sophisticated as either Seattle or San Francisco as it is fairly homogeneous (although roughly 40% of the population is Hispanic, but based on Southern California's demographics it is typical) (www.Anaheim.net). Anaheim is a suburban community that really does not have urban core city, with a large skyline and extremely high property values. Anaheim does have a number of high rise office buildings, and many corporations have located their headquarters in the city. Anaheim has also done a good job in diversifying its economy by attracting a mix of high tech, manufacturing, and professional services to the area (www.Anaheim.net). Yet, Anaheim is clearly not a major metropolis unto itself. However, the city has two professional athletic teams, with fairly new facilitates which is still somewhat rare for a suburban community.

Anaheim is also home to one of America's most famous landmarks Disneyland, which was visited by 15 million tourists last year alone (www.disney.com). With all of the efforts to diversify, Anaheim's economy has still become even more dependent on tourism. Anaheim is much more dependent on tourism than San Francisco or Seattle. In 1950 Anaheim was a sleepy, little agricultural community with a population of roughly 15,000 the city was nearly one hundred years old (founded in 1857) and had grown from an initial population of 257 (www.Anaheim.net). Yet by 1960, Anaheim's population had exploded to over 100,000. The 1950s also marked the turning point for the city. Anaheim would leave behind its agrarian roots and embark on an "E" ticket ride with Walt Disney. "Anaheim was alot like Walt's boyhood home in Marceline, Missouri." Initially, Walt had hoped to build a smaller park directly across the street from his Burbank studio. He was denied the necessary permits by the city, so he opted to build in

Anaheim. No one had any idea (even Walt) how big Disneyland would become "only seven weeks after opening, Disneyland's one-millionth guest passed through the turnstiles." In the years since, hundreds of millions of guests have visited the park and billions of dollars in revenue has been generated for the Disney Corporation.

Today, Anaheim's economy is booming, developments are going in everywhere. The developments range from the massive projects, like Gotcha Glacier, to the widening of Interstate 5, to citywide transportation improvements, to an addition to the Anaheim convention center, which will make it the largest on the west coast to date, more expansion in the Canyon business center and a new technology center (www.Anaheim.net). Times are good for Anaheim, crime is down, property values are soaring, unemployment is at or below 4%, and the Pond is one of America's most successful concert venues (www.Anaheim.net). The Disney Corporation has nearly completed its new $1.5 billion dollar theme park directly adjacent to Disneyland (scheduled to open sometime next year). The city of Anaheim is also nearing completion of resort district transportation improvements that will likely cost over $500 million dollars that will be necessary once the new park opens (www.Anaheim.net).

Mayor Tom Daly, a lifelong resident of Anaheim who was first elected Mayor in 1992, one year before the Pond was constructed and 4 years before Disney gained control over the Angels. Tom Daly is always invited to special events in the Magic Kingdom as an honored guest. Mayor Daly even attended the grand opening in 1955, although he was being pushed by his mother in a baby carriage. Anaheim has long been synonymous with Disney, some even sarcastically and ruefully referred to the city as "Disney-heim." There is no doubt that city hall is inextricably tied to the Disney corporation. Anaheim was in a manor of speaking, “built” by Disney, and certainly the landscape would be very different today had Walt chosen another city in which to erect his first theme park (www.Anaheim.net).

Disney holds the most business licenses in the city, pays the most in property tax, employs the most, owns the most land, generates the most in property tax, gives the most in charity, owns two professional athletic teams and runs both of the facilities in which the teams play (www.Anaheim.net). For most of the last half-century Anaheim has been a company town. “Forty five years ago, when Disneyland was a novelty surrounded by farms and orange groves, Walt Disney would personally call City Manager Keith Murdoch if he didn’t like something going on around his park” (The Ties That Bind, Newsbank).

For years Disneyland executives wined and dined city and county officials, one special annual event known as the “Annual Punitive Expedition of the Anaheim Ichthyological 5 card Draw and Sour Mash Society.” The event (as the title suggests) was a three-day fishing, drinking, card-playing extravaganza paid for by the Disney Corporation. In 1991 City Manager Ruth (who admits to attending several previous such events as a city official) decided such events should be banned ” (The Ties That Bind, Newsbank)..

However, in 1992 the California Fair Political Practice Commission banned two Anaheim city council members from voting on Disney issues for one year and also forced the two, along with City Manager Ruth, to pay back some $6,735 in free admissions to Disneyland, which were used by family and Friends. The commission found that in one year (collectively) city hall had been given $18,095 in free admission to the park (for 658 people who were mostly out of town guests) ” (The Ties That Bind, Newsbank).. In the company’s defense, the corporation probably gives no more than most major corporations to local officials. On a more positive note Disney has been and continues to be a veritable financial fountain to local organizations like the chamber of commerce, and other charities.

However, all is not well in the Magic Kingdom. Recently, residents of Anaheim have started forming groups to voice their opinions in opposition to Disney. Property owners near the Magic Kingdom have complained about excessive noise, tremendous traffic problems and other “spill over” effects generated by Disneyland. While city officials have taken note they argue that many of the complaints are unfair. To demonstrate the power Disney still has over Anaheim’s city hall an incident from 1998. A developer proposed to build a $450 million dollar shopping mall-theater complex on an adjacent piece of property to Disneyland, which was to be called Pointe Anaheim. City officials gave confidential copies of documents to Disney to review long before the public review processes took place. Naturally, the developer was outraged, but Disney responded by stating “We have a strong interest in what happens in the Anaheim resort” ” (The Ties That Bind, NewsBank). Naturally, the Disney experience in acquiring Anaheim’s two major league teams as well as negotiating for the renovation and construction of the facilities in which the teams play was anything but typical. It is plain to see that Anaheim’s relationship with Disney is very dissimilar to that of most municipalities with the local professional athletic team owners. Unique might be a better way of putting it, even among the media giants that have recently entered the pro sports fray. Disney has always enjoyed tremendous influence with the city, and ironically this influence didn't seem to get Disney a markedly better deal than any other professional athletic franchise, in any other city.

The Angels-

On Tuesday, October 27th, 1998 The Anaheim Angeles paid tribute to their longtime owner Gene Autry. At the tribute Anaheim mayor Tom Daly said "Gene Autry, like his friend, Walt Disney, changed this city forever. Disney put this city on the national map. It was Gene Autry who brought us into the major leagues. Gene Autry took a big chance on Anaheim and Orange County. Anaheim immediately embraced Gene and came to love him." Daly's statement says much about how he and the City feel about Disney and the Angels (www.angelsbaseball.com).

This relationship began in 1964, the Angels were playing in Dodger stadium under a less than advantageous lease, and Autry was desperate to find a new facility. Rex Coons was the Mayor of Anaheim at the time and he saw a golden opportunity to make Anaheim a "major league" city. The City of Long Beach was trying to get Autry to bring his team to that city by offering to build a stadium. The only condition was the Angels would have to be called "the Long Beach Angels," and as the story goes Autry didn't like the way that sounded. It was at that time that Mayor Coons offered Autry an identical deal without the name change, and Autry (with some influence by Walt Disney who was on the team's advisory board) decided to relocate to Anaheim. On April 9, 1964 the Angels announced that they would be moving to Anaheim by the start of the 1966 season when the new stadium was finished. The $24 million dollar facility was constructed by Del Webb's construction company, which had only recently completed the Anaheim convention center (www.ballparks.com). The stadium was financed entirely by the City of Anaheim; it opened on schedule and within budget on April 19th, 1966.

Anaheim and the Angels had a fairly harmonious relationship over the next 29 years. Ironically, the cause of the first real major disruption in good relations between the Angels and Anaheim would be the Disney Corporation. Disney entered the fray in May of 1995. In 1995 Gene Autry was 87 and his wife Jackie was 54, Gene had long since stopped participating in day to day operations decision for the Angels and Jackie had essentially been making all of the key decisions (Fisher, NewsBank). Sometime in the early 1990s Jackie Autry happened to run into Michael Eisner at a private party and happened to mention the possible sale of the team (Fisher, NewsBank). Eisner showed interest and from that point on Disney was involved in periodic discussions with the Autry's about purchasing a stake in the team. For various reasons Eisner felt the "time wasn't right" until the spring of 1995. Disney had negotiated a deal with the Autry's to purchase a 25% stake in the team at that time, Disney would have an option to buy a majority interest at the time of Gene Autrys death or sooner if the Autrys decided to sell (Fisher, NewsBank).

Gene and Jackie Autry decided to sell Disney a controlling interest in the spring of 1996. Disney wanted to purchase the team, but also wanted Anaheim to renovate Edison International Field (Anaheim Field), Anaheim balked at the idea. The Autrys were angered at the city by their rejection of Disney's proposal and threatened to move the team unless Anaheim submitted to Disney's terms (Fisher 1999, NewsBank). Ultimately the Autrys and Disney won out, but Anaheim managed to secure some concessions. Disney would contribute $70 million of the $118 million that would be necessary to complete the renovations, leaving the City of Anaheim to pay $30 million.

The additional $18 million were generated from the sale of naming rights to Edison International (which Disney will receive the remaining $30 plus million) (www.ballparks.com). Anaheim also was able to sign Disney to a lease agreement that will keep the Angels in Anaheim at least until 2018 (Fisher 1999, NewsBank).

The Rams-

Anaheim's next big professional athletic move would take place in 1978 when the Los Angeles Rams made an announcement that the team would be moving out of the L.A Coliseum and into Anaheim Stadium. Once again the City of Anaheim would foot the bill in order to attract a new pro team to town, this time to the tune of $33 million ($5 million more than the initial cost of the stadium) which would enlarge the stadium's seating capacity to 70,500 (www.ballparks.com). For Anaheim stadium the 1980s were the heyday. During the 1980s Anaheim hosted Olympic events, College football's Freedom Bowl, Play-off appearances by both the Rams and the Angels, along with numerous big concerts and other such events (www.ballparks.com). By the late 80s however, the nation was in the midst of an economic recession, Southern California's manufacturing industry was laying off workers in record numbers (particularly the area's large defense contractors) unemployment and crime rates were on the rise. Anaheim was being hit hard due to its heavy dependence on tourism and the manufacturing industry and thus revenues were down for both of Anaheim's pro teams as well.

The late 1980s also marked the beginning of Anaheim's struggle to keep its pro-football franchise in town and at Anaheim stadium. It was during this period that the Ram's low revenues caused the team to begin considering methods to increase attendance and profits. In 1990 the City of Anaheim agreed to modify its lease with the Rams so the team could have an option to “escape” the contract (Webber, NewsBank). The escape clause would give the Rams the option of abandoning their lease with two conditions; that the Rams give the city 15 months notice, and two that the team would pay off the remaining debt on the stadium renovations which amounted to $30 million dollars. If the Rams actually decided to leave town the rams would also have to pay the city $250,000.00 annually for four years or until another NFL team moved to Anaheim. Apparently the city was confident that the Rams weren’t going anywhere (Webber, NewsBank).

The city also wanted to avoid a civil lawsuit with the Rams over the construction of Arrowhead Pond (which at the time was very probable). The Rams agreed not to object to The Pond construction in return for their escape clause. One other obstacle to the Rams ability to move was the NFL rule which stated; “the owner of a franchise (which intents to move) must get the approval of three-quarters of the 28 owners before the team can be sold or moved to another city. At the time what Anaheim had done must have seemed very shrewd, however their decision would come back to haunt them.
By 1993 the team wanted its own stadium with a much better lease agreement and a greater portion of the profits (Strege, NewsBank). The Ram’s decision came at a great time for the Rams and a terrible time for Anaheim. On November 30th, 1993 the NFL announced that St. Louis, Baltimore, and Memphis would not be receiving an expansion team. This was a golden opportunity for the Rams, all of those cities had invested large amounts of time, effort, and hard cash in an effort to get a team. Each city was just as desperate to get a team as the Rams were desperate to get a new stadium. This would prove the perfect climate in which to wrangle the kind of stadium deal the team had only

dreamed of in Anaheim (Millasz, NewsBank).

The Rams were able to play the competing cities against one and other with St.Louis being the ultimate winner (if one can call it that). St.Louis funded the entire cost of construction for the TWA dome $301 million dollars, by selling general-purpose bonds. The Rams will receive all of the naming rights revenue from TWA which paid 1.3 million the first year (and each year the rate is adjusted based on inflation). Cagan and de Mause estimate that the total subsidy over 30 years will be above $1 billion dollars (61).

The Mighty Ducks-

On March 1, 1993 NHL Commissioner Gary Bettmen made the announcement that the Walt Disney Company would be one of the new owners of an NHL expansion team. Anaheim would be the city in which the team would play (Penner, NewsBank). This marked a culmination of five years work by the City of Anaheim (to coincide with the cities plans for economic rejuvenation) which primarily focused on a "downtown revival" but included an effort to construct a large indoor venue in the hopes of attracting another professional athletic team, and to provide a facility that could host large concerts, conventions, and other such events (www.Anaheim.net). The idea came to fruition in 1988 when the city entered into an agreement with Ogden Entertainment Services, to build an indoor arena in Anaheim. Two years of negotiations ensued, but ultimately were settled and by November 8th, 1990 a groundbreaking ceremony was held (www.ballparks.com). The property on which the new arena was to be constructed was located immediately north of Anaheim Stadium. "Progress on the new venue was threatened by the economic downturn after the Gulf War which affected Anaheim as well as the rest of the nation" (www.Anaheim.net). However the city successfully argued for the additional funding that was necessary to complete the project. Upon reading the following description one might see why "additional funding" was necessary.

> "The exterior of the arena consists of 12-foot granite walls which extend around the building. Granite is also used to outline the building's most identifiable features - the green glass archways on the north and south entrances. The building roof spans 444 feet by 329 feet, more than 100 feet above the arena floor. On the building's interior, more than 200,000 square feet of marble are used to adorn the public concourses." The facility seats 17174, has 84 luxury suites, and 1716 club seats. (www.ballparks.com)

The Pond (as it would latter be known) cost the City of Anaheim $120 million dollars, which was raised by issuing revenue bonds (serviced by Ogden Entertainment). Arrowhead Water (a subsidiary of yet another corporate titan Nestle) paid $15 million for the naming rights to the facility, which went directly toward bond payment (www.ballparks.com). Arrowhead Pond has been a success story from the cities point of view; the facility is amongst the top revenue producing arenas in the country. The arena has brought an increase in events to Anaheim, that otherwise would be held elsewhere in the greater Los Angeles area, and in that respect representing a net positive economic gain for the city (www.ballparks.com).

The question on whether or not the city could have spent the money on something else that would benefit the community more is difficult to answer in this case, since the facility obviously generates much greater in flow of people to Anaheim than would otherwise occur. Most of these people are residents of the greater Los Angeles area and thus would not normally be in Anaheim visiting Disneyland, attending a convention, etc. The city had more pressing needs at the time such as transportation, education, social services, etc., and so the decision did represent a risk on the part of Anaheim. The gamble, however, has paid off. Thus, it is difficult to argue against the rational for building the Pond. Overall, building the Arena was probably a good decision for Anaheim. Still one can't help but wonder "what if" Disney hadn't stepped in, or been able to secure a team? The city would be probably be stuck with a $120 million dollar white elephant and the citizens of Anaheim would certainly be less than pleased.

Summary of case study findings:

These case studies clearly demonstrate the difficulty in assessing the overall economic benefit of arena and stadium construction. Clearly, arenas are a better use of public funds than stadiums due to their potential to be self-supporting if not economically profitable. Another key in understanding the value of stadium construction is the general location of the city in which the stadium is being constructed. For instance, Anaheim is surrounded by large cities which comprise the greater Los Angeles area. Thus the teams in Anaheim do a better job of attracting a greater percentage of visitors from outside of the community, which represents an net gain in economic activity. Seattle, San Francisco, and Phoenix do actually draw fans from outside of the community but to a much smaller extent.

Other points the case studies bring out are the economic trends in professional athletics mentioned in the literature review. A desire to build larger facilities with more luxury boxes, larger and more elaborate concession areas, etc. Teams and owners are being forced to push for more revenue in order to keep up with spiraling payroll expenditure, and rather than look internally for solutions to the problems the teams turn to the local governments.

Chapter 11. Building an arena in Las Vegas:

First to explain the title of this chapter clearly, “stadium” has been omitted. A stadium in Las Vegas is not feasible for numerous reasons. The only type of facility Las Vegas should consider building should be an arena. To begin with “domed” stadiums aren’t being constructed for professional athletic teams anymore (www.ballparks.com). Both the NFL and MLB teams and players have been lobbying for a return to grass in place of artificial turf for a variety of reasons ranging from an increase in injury to the way artificial turf alters game play. Essentially, in order to attract a NFL or MLB team, Las Vegas would have to construct a facility with a retractable roof. The going rate for such a facility based on the average cost of Bank One Ballpark, Safeco Field, and the

Enron Field, and the Skydome would be approximately million $420.25 million dollars (www.ballparks.com).   An open-air facility might be in order for an NFL team, but not MLB because of the extremely high summer temperatures here in Las Vegas. Also the ability to host conventions and other special events in an open-air stadium is greatly diminished for the same reasons.

As for the talk of spring training facilities for MLB teams in Las Vegas, that's what it will probably continue to be just "talk." The first big problem is Las Vegas tends to run contrary to the entire concept of "spring training" for pro athletes, Las Vegas is a favorite spot of the fun loving, free spending professional athletes (Anderson, 1C). Las Vegas still has a stigma attached to it for being a place for players to get in trouble in, and generally team administration and coaches want to keep them out of trouble. From the owners and coaches position Las Vegas might represent to much of an opportunity for bad public relations incidents, and a diversion from the task at hand (getting ready for the regular season).

Even if teams could be convinced to over-look those issues, the issue of attracting and retaining teams for spring training can very costly also. In 1992 the Cleveland Indians decided to leave Tucson for a better deal in Florida (Sherman 73). This created a feeding frenzy for the other teams, who had instant leverage to demand new facilities and better deals. Other Florida cities had made it known they would be very interested (and willing to spend money) in attracting the Cactus League to Florida. To keep the Cactus League where it was the State of Arizona ended up spending over $200 million dollars on new facilities to keep the eight teams (Sherman, 74). Spring training is less than 40 days each year (Sherman 74). The cost of attracting teams away from existing facilities to Las

Vegas would probably cost hundreds of millions of dollars, and the teams aren't going to pay, so who would? The City of Las Vegas, or Henderson maybe the County, or the State? Not to mention that March and April are already a very busy time of year due to large number of conventions and trade shows that are held in the spring. Las Vegas does not need spring training, and there is no justification for spending large sums of money on attracting teams to the valley for only 40 days a year.

The population base of Las Vegas is probably not large enough to support an MLB or NFL team, and contrary to what some believe, tourists (especially gaming tourists) aren't a reliable source of support for a professional athletic team. Thus the bulk of attendance would have to be garnered from the local populace. If one considers the size of some of the NFL facilities which are close to 100,000 in capacity this means that roughly over 5% of the populace of Clark County would have to attend games, which would seem very difficult to maintain in the long run. MLB is another story all together with so many home games each season it would be very difficult to maintain high attendance figures. Most NFL and MLB teams are situated in a large market or in areas like Anaheim that are close enough to a large population base. MLB and NFL teams generally have a higher team operating cost than NBA and NHL teams due to the larger team and staff size. This means that NFL and MLB teams need higher revenue in general to support themselves, other larger markets can offer higher broadcast, advertising, and merchandising revenue, which Las Vegas would be hard pressed to match (Danielson, 218-234). Las Vegas is very isolated in comparison to most other cities with professional athletic teams, and in comparison to other cities like Denver that are also isolated Las Vegas has a much smaller population base.

In general arenas are less expensive to build, maintain and operate for a variety of reasons . Obviously they are smaller than stadiums and are generally more basic in design which reduces the cost of construction. Arenas are essentially just as versatile as stadiums in the types of sporting events they can host like basketball, hockey, rodeo, and gymnastics. Arenas are much more versatile in the types of non-sporting events they can host like conventions, trade shows, concerts, religious revivals, etc. Stadiums tend to be too large and expensive to fill, only the largest events can be hosted (at a profit) in such facilities.

The 1995 “Domed Stadium Study” conducted by the Las Vegas Convention and Visitors Authority suggests that the construction of such a facility is feasible in Las Vegas (Domed Stadium Study, LVCVA). The feasibility is based on “market opportunities” for conference and trade shows and minor league sporting events. Since the study was released, convention space has grown exponentially in Las Vegas, and revenue from minor league sports is rarely sufficient to support very small facilities let alone a domed stadium with 50,000 plus seats (Domed Stadium Study, LVCVA). For the reasons listed above (which this study fails to address) it is clear that the only type of facility Las Vegas should consider building should be an arena.

Construction of an arena in Las Vegas would be problematic at best. The first hurdle would be funding such a facility of which the City could reasonably expect to have to pay at least $150 million. Intergovernmental cooperation is probably not a real possibility since such a facility would benefit the jurisdiction in which it was constructed first and foremost. As for state aid that is also probably unlikely due to the potential impact such a facility might have on other large gaming corporations. The second hurdle would be the fact that both the NBA and NHL have expressed some reservation about allowing a franchise to exist in a city that has legalized sports betting (Zapler, NBA…). Attracting an NBA or NHL team would really be vital to such a facility's ability to generate income. It is very unlikely that a minor league team could generate enough to keep $200 million plus dollar facility out of the red without a pro team.

The third hurdle would be convincing the gaming establishment that such a facility would be a benefit to all of Las Vegas and not just the downtown area. An arena would most certainly benefit some of the downtown area casinos, but one should not neglect the immense economic importance and political clout the strip properties have in Nevada. Arenas owned by MGM, Park Place Entertainment, Mandalay Bay Group, along with the Thomas & Mack Center would all be in direct competition with a new facility to host events ranging from concerts to championship boxing.

One positive aspect of a professional athletic team would be the luxury box and club seating options, which would probably enhance Southern Nevadan's casinos comp options and thus their ability to attract high rollers. It is difficult to estimate whether or not this would offset the possible impact of the loss of betting on NBA, NHL or perhaps all sports betting. It is also difficult to estimate whether or not the benefit of professional athletics would offset the reduction in convention, trade show and other special event business other Las Vegas facilities would have to deal with.

When a municipality expends hundreds of millions of dollars on a non-essential item like a stadium or an arena it should absolutely have to be able to quantitatively justify the expense as the best use of those funds. What I hope is apparent after reading this paper is that stadium and arena construction is not easy to quantify with clear, concrete statistics and facts. There has been no evidence presented to date clearly showing that stadiums and arenas have a significant economic impact (i.e., an impact that represents a satisfactory economic return on the money cities invest). What instead has been demonstrated is that all of the profit and most of the positive economic benefits are funneled off into the pockets of owners and players. Stadium and arena construction is a gamble at best, and a guaranteed way to spend money on something that won't benefit all members of the community equally and fairly. Cities need to stand their ground, policy makers need to exhibit some collective willpower and resist the temptation to spend public money on professional sports. Professional sports will survive. Rather it will thrive, without public money. In fact if states and cities were to spend the money on other more sensible, and economically beneficial projects professional athletics would probably benefit just as much. People might have more disposable income to spend on entertainment like professional sporting events.

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