

BASEBALL AND THE AMERICAN CITY:

An examination of public financing and stadium
construction in American professional sports.

By
Brian Reich
April 30, 2001
<http://www.stadiummouse.com/>

INTRODUCTION

I believe that great cities in the USA are a mix of attractions and uses. As Herbert Muschamp said, "No one goes to cities in search of suburban values. People expect to be wowed. They know that cities have an obligation to produce culture not just to consume it, and that architecture, our most public art even in the TV age, is the most powerful form in which that obligation can be renewed." Stadia can be important parts of civic infrastructure, but they must have quality, longevity, connectedness and street appeal to add value.

-- Susan Barnes-Gelt (Questionnaire Response)

The public debate surrounding public financing of sports facilities has grown heated in recent years. For decades, full public financing of sports stadiums and arenas was the norm. In the last few years, demands from the owners of professional sports teams for more elaborate and costly facilities, coupled with the increasingly limited resources that state and local governments have to offer, have challenged the viability of this approach.

The purpose of this paper is to analyze the issues central to the controversies over stadium and arena construction. In addition, this paper will consider how future stadium projects can better serve cities and benefit the sports teams who play there, while still ensuring that local citizens who do, and do not, support them are protected. Finally, this paper will review case studies from four cities that have debated investment into sports construction in recent years and compare those projects to local proposals from the New York/New Jersey region that are still under consideration.

The first three sections of this paper are based on the existing body of research on the issues related to stadium and arena construction. Academics, economists, local public officials and citizens have debated this issue extensively in recent years, and offer a variety of perspectives leading to differing conclusions. While in some areas, a consensus seems to have been reached, in other areas, bitter disagreements remain.

The first section of this paper discusses the economic considerations in stadium construction. Most notably:

- *Cost of Stadium Construction:* Construction spending for professional sports stadiums and arenas in the U.S. has risen dramatically over the past century. The rise in costs is attributed to the use of more expensive building materials, increased seating capacity of stadiums, and competition among cities to build the best stadium. More than \$6 billion has been spent on sports construction during the 1990s, and the projection for future expenditures is even greater.
- *Economic Benefits of Stadium Construction – teams:* Professional sports entertainment has become a multi-billion dollar industry, with teams, players, and owners enjoying the benefits of increased interest in, and greater revenues from, professional sports – some claim by as much as \$25 million to \$40 million per year.¹ The construction of a major sports stadium or arena is a key element in the creation of these benefits; in most cases, the costs are covered by the local municipality while the revenues generated from tickets sales, concessions, parking, and related activities are given to the teams.
- *Economic Benefits of Stadium Construction – the public:* Economists argue that a major sports stadium or arena does not generate sufficient revenue for a city to recover its public investment in facility

¹ Jim Gallagher, "Without New Stadium , Lamping Fears Team will Slump, Lose Fans," St. Louis Post-Dispatch, May 28, 2000.

construction. Further, taxes or other public revenues collected from sports events replace rather than enhance public revenues derived from other entertainment expenditures. Instead, stadiums shift the allocation of discretionary spending within an individual's "entertainment budget" – that is, the time and money devoted to entertainment. In other words, if a sports team locates in a city, and/or a new stadium or arena is constructed, individuals will not increase their entertainment budgets but choose between alternative uses such as a local theater, bowling alley, bar/restaurant or sports.

The second section of this paper outlines some of the political factors that local officials must consider in determining whether public money should be invested in stadiums, including the use of stadium construction as a tool for urban development.

- *Stadium/Arena Construction and Urban Development:* Stadium or arena construction projects can be a successful component of an urban development scheme if they are an integral component and not the anchor of a redevelopment plan. Traditional urban renewal and economic development projects are often high jacked, to satisfy the needs of the stadium construction. While stadium construction plans are often rationalized as "urban renewal," they rarely form the basis of a comprehensive plan. Instead, such projects enjoy a high profile and artificial urgency.
- *Stadium Construction as Political Priority:* By choosing to commit public resources to stadium and/or arena construction, local officials are potentially compromising other local services. Local government officials, as well as the public, are not always aware of the potential costs incurred by other public services such as transportation, public safety, and education.
- *Stadium Construction and Public Subsidies:* The decision to build stadiums and arenas results in the direct subsidy of private entertainment. More than \$20 billion has been spent on major league ballparks, stadiums, and arenas over the past two decades, including more than \$5.2 billion since 1989. Arguably, a portion of this public largesse could have been available for other public investments (e.g. schools, roads, public utilities).
- *Stadium Construction and the Political Process:* The dominant political force behind the construction of major sports stadium is so-called "economic extortion" by a combination of sports teams, fans, and major sports leagues. "In many cities, threats of relocation, and actual relocations, were important influences on local government decisions. But the unique and symbolic value aspects also carry a lot of weight with elected officials."² Additionally, the construction of stadium results in economic and political benefits for local corporate interests, labor and media -- often at the expense of the average taxpayer.

The third section of this paper discusses some of the intangible benefits often associated with stadium and arena construction. In many cases, it is these factors that help determine the future of sports construction projects.

- *Major League City Status:* Proponents of stadium construction argue that sports team and state-of-the-art facilities help elevate cities to the status of "major league." This is based on the belief that the overall image of a city is enhanced when large crowds support local businesses and that the stadiums themselves provide wonderful additions to the urban character of a city.

² Questionnaire response – Lynn Bachelor

- *Stadium Construction and Fan Base.* Stadiums and arenas do serve as infrastructure for the civic community. They provide an opportunity for community building by promoting common interests and themes and by literally providing a place for public congregation. However, sports facilities often do not help to bring together diverse elements of a city or region, instead drawing almost exclusively from middle and upper class (and more specifically, corporate) interests, further dividing communities along economic, racial, and geographic lines.
- *Stadium Construction and Team Performance.* With the construction of new stadium comes increased attendance and increased interest in the team by the media and local officials, resulting in greater income for the team's owners. Along with greater income comes more pressure for the team to perform, and a more money is invested in the team; the result is a better team. In short, a new stadium produces wins for a team (on a short term basis) and results in an increase in civic pride.

The fourth section of this paper will review the recent stadium construction histories from Seattle, Denver, Houston, and Pittsburgh.

Seattle: When Seattle voters rejected a proposal to fund a new baseball stadium in 1995, local officials feared the Mariners would relocate to another city and the local football franchise, the Seahawks, would follow suit. State officials found the financing for the construction of two new stadiums – drawing from a collection of taxpayer funds, the creation of new revenue streams, and the generous support of local ownership. Now, both the Mariners and Seahawks will have stadiums that rank among the finest in the nation.

Denver: Less than a decade ago, Denver had only one sports team. Today, after aggressive lobbying by local government officials and significant public support, the Mile High City is home to three new sports facilities and three championship contenders. In short, the introduction of major professional sports into Denver, and the construction of three new, state-of-the-art sports facilities, has vaulted Denver from a sleepy mountain community to one of the nation's leading hotspots.

Houston: When local officials in Houston refused to build a new football stadium for the Oilers, the team packed up and moved to Tennessee. Fearing the beginning of a trend, local officials scrambled to find funding to replace the Astrodome, Houston's infamous indoor football/baseball complex once deemed "the eighth wonder of the world." Now, Houston has a new baseball stadium for the Astros and will inaugurate the National Football League's newest team in a brand new stadium next fall.

Pittsburgh: Local voters rejected a proposal to publicly finance the construction of two single-use stadiums to replace aging Three Rivers Stadium. But local investors joined with local officials to create some of the most creative public/private partnerships in the nation – and the result is two new stadiums for the Pirates (baseball) and Steelers (football).

The final section of this paper will seek to apply the knowledge learned from other cities to the discussion happening in the New York/New Jersey region. Each of the eight local teams in the New York/New Jersey

region is seeking to replace, or renovate, its existing stadium or arena – and requesting generous support from local taxpayers to fund their plans. This follows the trend in around the country, which has seen 21 new stadiums and 30 arenas built since 1991, eleven more arenas and stadiums under construction, and financing has been or is virtually in place for nine others. This section will try to explain which local plans appear economically, politically, and socially viable and how local public officials can ensure that local taxpayers are protected.

Methodology:

The research for this project began on June 20, 1997, when I embarked on The Great American Baseball Trip – a nationwide driving tour, whereby I visited each Major League Baseball stadium and attended a game. Throughout my trip, I examined the state of baseball and its relationship with the fans. I watched games from the stands, met with representatives from each team’s front office, talked with members of the media, and looked for player insights on the National Pastime. I even ate a pretzel from every stadium and reported on its quality. *The website where I chronicled my trip is still active at <http://www.tmn.com/baseball>*

More recently, I have had the opportunity to discuss this issue with many leading experts, through a series of personal interviews, phone conversations, and e-mails. In addition, I prepared a comprehensive questionnaire for this project (see Appendix). The questionnaire was distributed via email and snail mail to over 150 economists, professors, sports executives, team and league representatives, reporters, local elected officials and fans across North America. While not statistically useful, the responses (approximately 15%) provide valuable anecdotal evidence concerning the public financing of stadium and arena construction.