

# REVIEW OF ECONOMIC IMPACT OF SELECTED PROFESSIONAL SPORTS VENUES AND DOWNTOWN REVITALIZATION EFFORTS IN OKLAHOMA CITY

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Report by the Legislative Reference Bureau

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Report of the Legislative Reference Bureau relating to an overview and review of the economic impact of downtown revitalization efforts in Oklahoma City, and an overview of the construction and economic impact of professional sports venues in general and in selected U.S. cities.

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## I. EXECUTIVE SUMMARY

Oklahoma City's community revitalization program - MAPS - is entirely funded through a series of 1% special purpose sales tax levies, each approved by voters in separate referenda. MAPS is a pay-as-you-go program, meaning all necessary funding must be collected before ground is broken for any project.

Only the first, \$357 million, phase of the MAPS downtown revitalization program has been completed to date. The Oklahoma City Chamber of Commerce claims this \$357 million investment has generated \$5 billion in related investments. However, this number appears inflated. It includes investments which have not yet been made, and projects with no clear causal link to MAPS investments. LRB's analysis suggests the actual number is closer to \$500 million, one-tenth of the Chamber's cited impact.

The relocation of the Seattle SuperSonics to Oklahoma City may be as much about Seattle's lack of interest in continuing to host the team, and the City's vote to deny public financing for a new basketball venue as it was about Oklahoma City's improvements to its basketball arena. The relocation is reviewed as part of Oklahoma City's MAPS investment in the Chesapeake Energy Arena in section III of this report.

Many modern sports economists have argued for the last 15 years that sports venues are not good financial investments because of the "substitution effect" – that consumers do not increase their overall entertain spending when a new sports venue is built; they simply "substitute" what they would normally spend on other forms of entertainment for game tickets and refreshments. In recent years, proponents of public financing for sports venues have often abandoned the "economic impart" argument and contended the value of a sports venues is the added prestige and status gained by the host city from having a professional sports franchise in town.

This report reviews the role of public financing in building the Bradley Center (\$5 million for repairs) and Miller Park (~\$326.5 million), and the major renovation of Lambeau Field, to gain local prospective (~\$275 million). It then goes on to analyze the financing vehicle and the economic impact of sports venues in Cincinnati, Indianapolis and Oklahoma City which were either solely or significantly funded with public monies. The role of public financing to build four basketball arenas that opened since 2007 is also discussed,

## II. OVERVIEW OF SELECTED WISCONSIN PROFESSIONAL SPORTS VENUES.

### Key Points

- No public financing was involved in the 1988 construction of the BMO Harris Bradley Center.
- Public financing of the construction of Miller Park in 2001 is through an ongoing 0.1% 5-county sales tax.
- Public financing of the 2003 renovation of Lambeau Field involved the creation of a 0.5% Brown County sales tax.
- All of the construction or renovation projects involved at least some amount of private financing, but varied in terms of amount as a percentage of total project costs.

**Table 1. Comparative Overview of Selected Wisconsin Professional Sports Venues.**

Sports Venue	BMO Harris Bradley Center	Miller Park	Lambeau Field
Professional Team	Milwaukee Bucks	Milwaukee Brewers	Green Bay Packers
Project Completion	October, 1988	April, 2001	August, 2003
Project Construction Costs	\$90 million	\$413.9 million	\$295 million
Public Financing	None	\$310 million supported by a 0.1% 5-county stadium sales tax	\$295 million supported by a 0.5% Brown County sales tax
Private Financing	\$90 million from Jane and Lloyd Pettit.	\$90 million from the Milwaukee Brewers, including \$15 million loan to the Brewers from the City.	\$20 million from Green Bay Packers via the 1997-98 stock sale
Other Public Assistance	\$5 million grant from the state (2011) for capital improvement projects	The \$72 million in infrastructure costs were split as follows: \$18 million from City, \$18 million from Milwaukee County, and \$36 million from State	None
Estimated Annual Economic Impact of Venue/Team	\$80 million	\$327.3 million	\$282 million

### A. BMO Harris Bradley Center

The Bradley Center is smaller, has no club seats and has less lower-bowl seating than most newer NBA arenas. Estimates to rebuild or significantly renovate the arena run as high as \$250 million. The Bradley Center reports spending \$67 million over the years to maintain the facility.

Net operating revenues for the Bradley Center were \$12.7 million for fiscal 2012 (during the NBA lockout), \$16.3 million for fiscal 2011 and \$14.7 million for fiscal 2010. The Center's fiscal year ends on June 30. After deducting operating costs and depreciation, the Bradley Center lost \$3.2 million in 2012, \$300,000 in 2011 and \$2 million in 2010. The fiscal 2012 Bradley Center financial report indicates the Bradley Center owes the Milwaukee Bucks \$11.6 million in unpaid lease entitlements for prior years.

The Bradley Center's 2011 financial report claims the Center generates an annual economic impact of more than \$80 million.

#### Timeline of Selected Significant Fiscal Events

- October, 1988 Bradley Center opens. Built as a gift to the community from Jane and Lloyd Pettit.
- 2011 Bradley Center receives its first and only public financing assistance in the form of a \$5 million grant for capital repair and maintenance.
- May, 2012 BMO Harris purchases naming rights for the Bradley Center, agreeing to pay approximately \$1 million per year for 6 years.  
  
Other significant sponsorship commitments by Harley-Davidson, Kohl's Corp., Northwestern Mutual, Rockwell Automation and other companies is expected to net the Center more than \$18 million over 6 years. The cash infusion is expected to fund Bradley Center operations until a new multi-purpose arena can be completed.
- October, 2012 Milwaukee Bucks agree to extend its lease with Bradley Center through September, 2017.  
  
The Bucks pay no rent and are entitled to 27.5% of concession sales, 13.75% of food and beverage sales in the suites, 30% of merchandise sales at Bucks games, 19% of net suite revenue and a suite revenue share of \$2.1 million annually.

According to the Department of City Development and the Comptroller's Office, there is no debt outstanding related to the original Bradley Center agreement and the construction of the 4th and Highland Parking Structure.

However, as of January 1, 2012, there was \$157,568.89 of outstanding Parking Fund debt directly related to the maintenance of the 4th and Highland Structure. That debt extends through December 31, 2018, with a trailer amount (under \$50 per year) through December 31, 2026. There is also \$549,425 of debt authorized in the 2010 Budget for re-caulking of all levels of the structure. This debt is yet to be issued.

## B. Miller Park

A 2006 study by the University of Wisconsin-Milwaukee's Institute for Survey and Public Research commissioned by Major League Baseball Commissioner Bud Selig concluded the Brewers had an economic impact of \$327.3 million each year on the surrounding 5-county area during the first 3 years of operation.

The direct economic impact, the study maintained, included the total spending by stadium visitors from outside the 5-county area, as well as the resulting local employment and earnings. The Brewers claim about half their fans come from outside the 5-county area of Milwaukee, Waukesha, Ozaukee, Washington and Racine counties.

UWM's Center for Economic Development Director Marc Levine challenged the study's findings claiming, ". . . whatever spending is going on at Miller Park is not injecting significant new dollars into the local economy; it is simply rearranging consumer patterns by taking dollars away from other activities; the 'substitution effect' well known to economists."

David Fantle of VISIT Milwaukee is quoted in the Journal Sentinel (April 4, 2008) as saying, "there is anecdotal evidence that hotels and restaurants fill up when fans of the Minnesota Twins or the St. Louis Cardinals come to town."

The conclusions of a similar 2011 UWM Institute for Survey and Public Research study of Miller Park's economic impact on the community, also commissioned by Major League Baseball, were made public in a March 13, 2013, Journal Sentinel news article. This study assumed 45% of fans attending Miller Park games came from outside the 5-county region and had a total direct and indirect impact on the community's economy of \$356 million, including \$93 million spent on Miller Park operations and marketing.

The 2011 study may be optimistic. For example, the study reviewed ZIP codes for noncash ticket sales to determine that 45% of game attendees came from outside the 5-county region. Perhaps in games with Chicago, St. Louis and Minneapolis, out-of-town attendance approaches 45%, but because the majority of games played at Miller Park are not regional rivalries, it is hard to imagine these other games would attract so many out-of-town attendees.

The study's use of a 2.1 multiplier for indirect economic impact may be aggressive. This multiplier suggests the \$1 spent by an out-of-town fan for a hotel room will translate into \$2.10 of extra spending by the night clerk and the maid, even though it is unlikely hotel staff will have any additional earnings to spend as a result of the overnight stay. Without the multiplier, the suggested impact is reduced to \$115 million, assuming 45% of Miller Park attendees are from outside the 5-county area.

In addition, the conclusions made public seem to cite "total" impact rather than "incremental" impact. The newspaper report claims annual attendance at the park is up one million from 2.56 million, or 39%, but no attempt seems to have been made to determine how much of this "incremental" growth comes from out-of-town visitors, and how much these out-of-town visitors are spending locally.

### Timeline of Selected Significant Fiscal Events

- January, 1996 Collection of a 0.1% stadium sales tax collected in Waukesha, Washington, Racine, Milwaukee and Ozaukee Counties begins.
- March, 2001 Milwaukee Brewers begin a 30-year lease. The Brewers hold 5 consecutive two-year extension options. Annual rent payments increase over 10-year increments and range between \$900,000 and \$1.2 million annually.
- April, 2001 Miller Park opens.
- May, 2002 Wisconsin's Legislative Audit Bureau reported that final construction costs for Miller Park were \$413.9 million, a 28.5% cost overrun from the initial \$322 million budget.
- The stadium district has certified the final cost as just short of \$392 million. The LRB did not investigate how either of these additional cost claims was financed.
- 2017 Collection of stadium sales tax is currently expected to continue through 2017.
- 2020 Miller Brewing Company's naming rights' contract with the stadium runs until 2020.

### C. Lambeau Field

A September, 2010, economic impact study commissioned by the Green Bay/Brown County Professional Football Stadium District concluded that the renovation project was adding \$106 million annually to the Brown County economy by 2009. An LRB analysis of this study indicates it may be optimistic.

Nearly half of the cited \$106 million (approximately \$51 million) appears to stem from internal operations of the team itself. It is unlikely team operations (e.g., player salaries, sales and marketing, etc.) are positively correlated and therefore increase as a result of adding 11,600 seats and extensively updating the amenities at Lambeau Field.

The supposed \$54 million impact remaining likely disappears in light of advances in understanding of the sports economy which indicate the impact of visitor spending cited in this Stadium District study, and the multiplier that is presumed to go along with it, is simply “substitution spending”; meaning consumers are merely shifting their entertainment spending to the Lambeau Field from other recreational/entertainment options in the region.

The 2010 economic impact study of the Green Bay Packers and Lambeau Field, estimated that the total direct and indirect impacts of the team and stadium were \$282 million in 2009.

#### Timeline of Selected Significant Fiscal Events

- September, 2000 Brown County voters agreed, by a 53% to 47% margin, to levy a 0.5% sales tax to pay for a \$295 million renovation of Lambeau Field.
- Green Bay Packers management had insisted the renovation was crucial to the future of the franchise. They also claimed making Lambeau Field a year-round attraction would be good for the local economy.
- August, 2003 Renovations completed.
- August, 2011 The Packers announced the launch of a \$143 million project to add another 6,600 seats to the south end zone and update stadium amenities at Lambeau Field, to be financed in total by the team.
- October, 2012 Since 2001, the Packers received \$195.1 million in sales tax revenues.
- January, 2013 The Packers announced a new \$140.5 million dollar renovation project for the Lambeau Atrium entrance that will be entirely paid by the Packers without public funding.
- August, 2013 The \$174 million in bonds issued for the project are expected to be repaid by August, 2013. However, the 0.5% sales tax is likely to continue to 2015, as cash reserves are built up for continued maintenance of the stadium.



**Table 2. Comparative Overview of Selected Professional Sports Venues in Other U.S. Cities.**

<b>Sports Venue</b>	Paul Brown Stadium	Great American Ballpark	Lucas Oil Stadium*	Bankers' Life Fieldhouse	Chesapeake Bay Arena
<b>Professional Team</b>	Cincinnati Bengals	Cincinnati Reds	Indianapolis Colts	Indiana Pacers	OKC Thunder
<b>Project Type</b>	Initial Construction	Initial Construction	Initial Construction	Initial Construction	Initial Construction
<b>Project Completion</b>	August, 2000	March, 2003	August, 2008	November, 1999	June, 2002
<b>Project Construction Costs</b>	\$350 to \$569 million	\$325 million	\$720 million	\$183 million	\$87.7 to \$89.2 million
<b>Public Financing</b>	\$1 billion supported by a 0.5% Hamilton County sales tax		~\$995 million supported by 10-county 1% food and beverage tax and certain other special taxes.	\$79 million supported by special professional sports taxing district.	\$87.7 to \$89.2 million supported by 1% special purpose sales tax.
<b>Naming Rights</b>	N/A	\$75 million from the Great American Insurance Company.	\$122 million from Lucas Oil.	\$40 million from Conseco.	\$36 million from Chesapeake Energy.
<b>Other Public Assistance</b>	\$73.5 million from the Ohio Cultural Facilities Commission		None identified	None identified	None identified

\*includes joint-construction of Indianapolis' Indiana Convention Center.

### III. REVIEW OF SELECTED PROFESSIONAL SPORTS VENUES IN OTHER STATES.

#### A. Paul Brown Stadium and Great American Ballpark (Cincinnati, OH)

##### 1. Key Points.

- Voters overwhelmingly approved a county-wide 0.5% sales tax to fund construction of both the stadium and the ballpark.
- Hamilton County projected \$300 million in economic benefits from the 2 new sports venues, and promised a property tax relief and more spending on public schools.
- Initial construction budget for Paul Brown Stadium alone was \$280 million; completion costs range between \$350 to \$569 million, as cited by various sources.
- Hamilton County ultimately agrees to pay all project cost overruns (\$170 million+) and issues \$1 billion in bonds to finance the 2 sports venues.
- Of 23 agreements to construct or renovate professional football stadiums between 1992 and 2010, Hamilton County was one of only 2 counties financing projects without support from surrounding counties or the state.

##### 2. Public Financing.

Paul Brown Stadium, the home of Cincinnati's National Football League franchise, the Cincinnati Bengals, opened in August, 2000. The stadium's final cost is variously cited as \$350 million, \$454 million, \$555 million and \$569 million. It was originally budgeted at \$280 million, although government officials concede a decision to change building sites for the facility added \$70 million to the original cost estimate.

The Great American Ballpark, the home of Cincinnati's Major League Baseball franchise, the Cincinnati's Reds, opened in March, 2003. The ballpark cost \$325 million. The Reds sold naming rights to the Great American Insurance Company for \$75 million to be paid to the Reds over 30 years at \$2.5 million per year.

Voters in Hamilton County (where Cincinnati is located) overwhelmingly approved a 0.5% sales tax levy in 1996 to pay the full cost of both sports venues, which at the time were expected to cost \$544 million, combined. A report commissioned by the County projected \$300 million in economic benefits from the new stadiums.

As part of the proposal, Hamilton County residents were promised a property-tax rollback and increased spending for public schools. County officials reneged on their promise to reduce property taxes for 2011. Approximately 14% of Hamilton County residents live below the federal poverty line.

The Bengals argued a new stadium would increase revenues, thus allowing the team to sign better players, win more games and attract more fans to the area. In their first year at the new stadium, 2000, the Bengals' record was the same as 1999 (4-12), and over the next 10 years, through 2010, the team had only 2 winning seasons. Attendance has actually dropped.

Ultimately, Hamilton County issued nearly \$1 billion in bonds to pay for the 2 stadiums. Sales tax revenues, which steadily grew in the 1990s, began to diminish by the time the stadium opened and remain challenged given the economic downturn of 2008 and the sluggish recovery. Hamilton County has been forced to restructure its debt on the stadiums a number of times to keep up with payments.

### **3. Paul Brown Stadium Cost Overruns.**

The Great American Ballpark came in on budget and is largely self-supporting. The problem is with the Paul Brown Stadium.

The Bengals bargained hard and threatened to relocate—claiming Baltimore had offered a better deal and other cities were waiting in the wings—if Cincinnati failed to deliver a stadium deal to the Bengals' liking. According to a Wall Street Journal analysis of 23 agreements to build or renovate professional football stadiums between 1992 and 2010, the Bengals' deal was unusually lopsided in favor of the team and risky for taxpayers.

The Bengals and Hamilton County negotiated construction and lease terms for a year before reaching an agreement, and whenever there was a sticking point, the County seemed to give in. For example, in bargaining over who would collect the parking revenues and who would pay security costs, the County agreed to give up all the revenues to the Bengals, and pay all the security costs for them.

Hamilton County ultimately agreed to pay all stadium cost overruns—perhaps \$170 million or more—and pay most operating and upkeep expenses, which were expected to be roughly \$8 million annually.

Stadium lease terms were also generous. Hamilton County agreed to pay for nearly all capital improvement costs, and to pay for amenities which were yet to be invented, like a "holographic replay machine."

Perhaps more telling, of the 23 deals analyzed, only 2, the Bengals' Hamilton County and the Tampa Bay Buccaneers' Hillsborough County, saw a single county willing to accept the entire burden of paying on its own the cost for a new sports facility. The State of Pennsylvania paid roughly half the projected public cost for the Philadelphia Eagles' new stadium in 2003; 6 counties helped pay for the Denver Broncos' new venue.

In the end, Hamilton County did get some help from the Ohio Cultural Facilities Commission, \$73.35 million, only about 15% of the projected cost, and potentially only 8.7% if the true final cost for the 2 stadiums is actually \$850 million.

It turns out the Bengals' threat to relocate might not have been as credible as supposed by Cincinnati at the time. The Wall Street Journal reviewed a letter dated June 1, 1995, sent by The Maryland Stadium Authority stating any Baltimore deal would be capped at \$200 million, or 16% less than Hamilton County's offer.

**4. Economic Impact.**

The LRB found only a single study discussed in an article in the Economic Development Journal which focused solely on the economic impact of the actual construction of Paul Brown Stadium and the Great American Ballpark, along with other development projects. This analysis does not address the economic impact on Cincinnati from the ongoing operations of these developments. It is a snapshot only of the economic impact from the actual construction. This analysis cites a higher cost for construction of the 2 stadiums (\$912.4 million) than found elsewhere, and LRB did not investigate the disparity. The study claims the \$912.4 million public-financed construction of the 2 stadiums generated a one-time economic impact on the community of \$1.123 billion. Table 3 compares this impact with selected other Cincinnati developments.

**Table 3. Impact of Cincinnati Development Projects.**

Project	Project Cost	Economic Impact
Paul Brown Stadium	\$569,123,000	\$699,895,000
Great American Ballpark	\$343,311,000	\$422,642,000
US Bank Arena	\$14,565,000	\$34,708,000
Underground RR Freedom Center	\$44,474,000	\$105,706,000
Duke Energy Convention Center	\$166,454,000	\$396,659,000
Total	\$1,137,927,000	\$1,659,610,000

**B. Lucas Oil Stadium/Indiana Convention Center (Indianapolis)**

**1. Key Points.**

- The State of Indiana and Marion County agreed to jointly finance the between \$940 to \$995 million cost of the combined stadium and convention center projects through special taxes and other charges over a 10-county region.
- Special taxes and charges include: increased food and beverage, auto rental and innkeeper taxes; establishment of a 6% admission ticket tax; sale of team vanity license plates; and earmarking future lottery ticket sales.
- Indianapolis' Mayor did not offer an economic rationale for the stadium development, but instead argued that the team was key to the city's big-city image—a claim modern sports economists can neither quantify nor dispute.
- Within 6 months of the opening of the stadium, the entity managing the city's sports venues (CIB) projected a \$25 million deficit for 2009, growing to a \$45 million deficit in 2010.
- As early as 2009, the CIB was considering measures to eliminate future deficits that included doubling the state's alcohol tax; increasing food and beverage, admission ticket and innkeeper taxes; expanding the sales tax collection area; and assessing \$5 million annual payments of the professional sports teams.

## **2. Public Financing.**

Indianapolis' Lucas Oil Stadium (home of the Indianapolis Colts professional football franchise) and the City's Indiana Convention Center are linked in the public's mind partly because an enclosed causeway connects them, and partly because they are owned by the same quasi-government entity, the Indiana Stadium and Convention Building Authority. They are, however, most closely linked because they were both substantially funded by the public through the state's Indiana Finance Authority, and the public bonds issued to finance both facilities will be repaid by the public through the same tax revenues.

The cost cited for Lucas Oil Stadium is \$720 million, although bonds totaling \$666 million were issued to finance the building, the difference presumably was made up through naming rights of \$122 million to be paid by Lucas Oil over 20 years.

The 254,000 sq. ft.-expansion of the Indiana Convention Center, opened originally in 1972 and already renovated 3 times before, cost taxpayers \$275 million. Begun in 2008, the expansion was substantially completed in January 2011.

The State of Indiana and Marion County (where Indianapolis is located) agreed to finance the between \$940 and \$995 million combined cost of these 2 projects jointly — roughly \$1 billion — through special taxes.

The 9 counties surrounding Marion County levied a food and beverage tax (essentially a restaurant sales tax) of 1%, while Marion County doubled its existing 1% food and beverage tax, the financing vehicle for the RCA Dome – Lucas Oil Stadium's predecessor – to 2%. Marion County also boosted its auto rental tax to 2% and its innkeepers' tax to 3%. A 6% admission ticket tax was also levied. Additional financing revenues are generated through the sale of Colts vanity license plates and future lottery tickets earmarked for the project.

Early in the process, there were even discussions relating to taxing slot machines that are not yet authorized in Marion County.

## **3. 30-Year Lease Signed.**

The Baltimore Colts, dissatisfied with their stadium, relocated to Indianapolis in 1984 after Indianapolis agreed to build the RCA Dome for them. LRB was unable to determine just how insistently the Colts pressured Indianapolis for a replacement stadium in 2004 and 2005, but it was an optimal time to pressure for concessions from the City. The star-quality play of Peyton Manning seemed to have turned the team around, and the buzz was that the Colts were on a trajectory to win the Super Bowl, which they did in 2007. Civic leaders did not want to see the team leave over a dispute about who was going to pay for a new venue for the team just when the team seemed on the threshold of success.

Lucas Oil Stadium was opened in August, 2008, with a retractable seating for 60,000 football fans and up to 70,000 for other events, 137 luxury suites and 7,500 club seats. The old RCA Dome had seating for only 57,890 and 104 suites. Less than 5 years after opening, Lucas Oil Stadium hosted Super Bowl XLVI in January, 2012.

In a lease signed in the early stages of stadium planning, the Colts agreed to stay in Indianapolis for at least 30 years, through 2034. Many such long-term leases do not guarantee

the team will remain for the full lease term because they contain set "renegotiation" clauses which allow the team to leave if certain conditions are not met. Details of the Colts' lease are unknown.

#### **4. Economic Impact Undetermined.**

The LRB was also unable to locate any studies analyzing the economic impact of public financing of the Lucas Oil Stadium. In fact, in the face of criticism from those opposed to subsidizing sports franchises, Indianapolis Mayor Bart Peterson offered no economic rationale for the \$720 million investment at all, but instead argued the team was key to Indianapolis' big-city image, a claim modern sports economists can neither quantify or dispute. The mayor also sought to bundle the stadium construction as part of a larger downtown redevelopment plan which included the major expansion of the Indiana Convention Center, which drew 800,000 visitors a year and was considered by most city leaders as vital to the downtown economy.

#### **5. Operating Deficit Increases.**

Interestingly, the Capital Improvement Board (CIB), the entity that manages Indianapolis' sports venues and the convention center, started piling up deficits almost from the moment the new football stadium opened. CIB had estimated operating costs would increase \$10 million a year over the costs of operating the smaller RCA Dome predecessor facility. However, a month after the new stadium opened it was clear increased costs would double to \$20 million, leaving CIB \$10 million short, and the new stadium was not the only problem. Within 6 months of the Lucas Oil Stadium opening, CIB was projecting a \$25 million deficit for 2009 which would grow to a \$45 million deficit in 2010.

By April, 2009, CIB was considering the following measures to eliminate its future operating deficits:

- Doubling the state's alcohol tax.
- Increasing the Marion County food and beverage tax from 2% to 2.25%, bumping the admission ticket tax up from 6% to 10% and increasing the innkeepers' tax by one percent to 9%.
- Expanding the Professional Sports Development Area to include the new Marriott Hotel in downtown Indianapolis, with the estimated \$6 million sales tax going to the CIB instead of the state.
- Accessing annual \$5 million payments on the Pacers and the Colts.
- Cutting CIB costs by \$2.5 million in addition to the \$7.5 million in cuts already made.

### **C. Bankers' Life Fieldhouse (Indianapolis)**

#### **1. Public Financing.**

Bankers' Life Fieldhouse, home of the NBA franchise Indiana Pacers, opened in November, 1999, as the Conseco Fieldhouse. Bankers' Life is the primary insurance product marketed by CNO Financial, which was known as Conseco when the Fieldhouse was built.

The Fieldhouse cost \$183 million and was financed by a combination of public and private money, with the \$79 million paid by the public with revenues from a special professional sports taxing district. The Fieldhouse is operated by the Capital Improvement Board with upkeep costs paid in part by the Pacers.

Known as the Indiana Fieldhouse during construction, Conseco, Inc. paid \$40 million for the naming rights before the 18,000-seat venue was completed.

#### **2. High Operating Costs.**

The Indiana Pacers were complaining and threatening to leave Indianapolis because the NBA team claimed it could no longer afford to operate the Bankers' Life Fieldhouse (at the time the Conesco Fieldhouse). Total operating costs were estimated at \$15 to \$18 million, and a Hunden Strategic Partners study projected Indianapolis would lose \$55 million a year in economic benefits, and \$17.8 million in direct tax revenue if the franchise left the city. In July, 2010, CIB agreed to provide \$33.5 million to the Pacers in exchange for a pledge from the NBA to remain in Indianapolis until at least 2019.

### **D. Chesapeake Energy Arena (Oklahoma City)**

#### **1. Key Points.**

- Construction of the arena as part of an investment program in downtown development—known collectively as MAPS—was funded through a temporary 1% special purpose sales tax levy.
- The initial round of MAPS investments totaled \$357.7 million, including between \$87 to \$89 million for the sports arena, and included the development of a minor league baseball park and convention center.
- Cost overruns for MAPS projects are controlled by establishing a policy requiring that all project funds are fully collected prior to beginning construction.

#### **2. Public Financing.**

Owned by Oklahoma City, this 581,000 sq. ft.-facility, originally the Ford Center Arena, was designed to meet National Hockey League requirements. It became the Chesapeake Energy Arena in 2011 when Chesapeake Energy bought naming rights for 12 years at \$3 million a year. Chesapeake Energy Arena (then the Ford Center) hosted the New Orleans Hornets from 2005 to 2007 in the aftermath of Hurricane Katrina while New Orleans rebuilt its sports venue.

Oklahoma City cites the original cost as \$87.7 million, although other sources list the cost at \$89.2 million. Approximately \$112.2 million has been spent in renovations and upgrades to the Chesapeake Energy Arena since it was completed in 2002, all financed with the MAPS Sports Facilities special purpose sales tax levy proceeds from January, 2009, through March, 2010. This is a good example of the spending discipline imposed by Oklahoma City's "pay-as-you-go" project financing approach. When the final tally of sales tax revenues earmarked for Sports Facilities came up approximately \$10 million shy of expectations, the scope of the proposed improvements was trimmed to match the monies in hand.

### **3. Seattle SuperSonics Relocation.**

The relocation of the Seattle SuperSonics NBA professional basketball franchise to Oklahoma City may be as much about Seattle's lack of interest in continuing to host the team and the City's vote to deny public financing for a new basketball venue as it was about Oklahoma City's improvements to its basketball arena.

A New York Times story written at the time of the relocation of the Seattle SuperSonics to Oklahoma City suggests Seattle residents had lost interest with the lackluster Sonics and simply allowed the team to depart without a fight out of sheer indifference. The newspaper quotes a political science professor emeritus at the University of Washington, David Olsen, as saying, "Citizens in Seattle look around and see Microsoft and Boeing doing fabulously, the Port of Seattle is booming and trade with China is going to define this city's existence for the next 50 years. Seattle has said, "We can be a big-league city, we can be an international city, without kowtowing to professional sports franchises."

Indifferent or not, Seattle voters did vote 3 to 1 for Initiative 91 to restrict public financing of professional sports franchises. Initiative 91 (I-91) provides that Seattle must receive a "fair value" return on any investment the City makes. I-91 was more psychological than substantive. It applied only to a Seattle investment, so it would not be an impediment to the Sonics' proposed arena site in suburban Renton, nor would it preclude renovating KeyArena with state or county public financing rather than Seattle funding, but I-91 did seem to capture the mood of Seattle residents against pro-sports subsidies.

In 2005, before selling the Seattle SuperSonics, owner Howard Schultz (Starbucks Coffee) pressed the State of Washington for \$200 million to refurbish Seattle's KeyArena where the Sonics played. At the time, KeyArena was the smallest NBA venue, and was renovated at a cost of \$75 million a decade before in 1995.

In the same year, 1995, voters narrowly rejected a sales tax levy to finance a new baseball stadium for the Seattle Mariners, but after a winning season the next year, the state legislature voted to pay for most of a new stadium, Safeco Field, which ultimately cost more than \$500 million. After a 1997 statewide campaign sponsored by Microsoft co-founder Paul Allen, Washington voters committed \$300 million to replace the Kingdome for the NFL Seahawks. As part of the campaign, Mr. Allen bought the Seahawks and put \$100 million into the new stadium.



**Timeline related to Seattle SuperSonics Relocation to Oklahoma City.**

- October 25, 2006 NBA approve Howard Schultz's sale of the SuperSonics and Seattle Storm to an Oklahoma City group led by businessman Clay Bennett for \$350 million.
- February 13, 2007 Mr. Bennett asks for at least \$300 million in taxpayer money for a proposed \$530-million basketball arena in Renton, south of Seattle. The idea never gets traction.
- January 8, 2008 An ownership group composed of 4 Seattle businesswomen buys the WNBA's Storm from Bennett's group.
- February 11, 2008 Mr. Bennett offers the city of Seattle \$26.5 million to let the Sonics out of the final two years of their lease. The city declines.
- April 18, 2008 NBA owners approve relocating the Sonics to Oklahoma City by a 28-2 vote.
- July 2, 2008 Mere hours before U.S. District Judge Marsha Pechman is scheduled to render her verdict in the trial to determine whether the Sonics can leave immediately or must finish the two years of their lease, Mr. Bennett and Seattle's mayor announce the Sonics will pay \$45-million to leave immediately and without promising a replacement team. The team's name and colors stay in Seattle.

Source: Los Angeles Times.

**IV. REVIEW OF SELECTED BASKETBALL ARENAS OPENED SINCE 2007.**

**1. Discussion of Amway Center Financing.**

NBA's Orlando Magic owner contributed \$10 million and the Orlando Magic team contributed \$50 million towards the construction of the arena and the Magic agreed to provide \$25 million (\$12.5 million from the Magic and \$12.5 million from outside sources) for the construction of 5 recreation centers in Orange County, Florida. The Magic is also paying the City of Orlando \$2.75 million annually for 30 years.

In 2007, the City and County Councils approved adding 1% to Orlando's resort tax, half of which funds downtown projects. In addition, the City took out a line of credit against the future sale of the 68 acres of land where the former arena had been located.

It is important to note that due to the recession, revenue from the increase in the resort tax has not met expectations. In 2011, the Fitch credit rating agency downgraded bonds issued to finance the Amway Center to "junk" and warned of a possible future default.

**Table 4. Selected Basketball Arenas Opened Since 2007.**

Sports Venue	Prudential Center	Amway Center	KFC Yum! Center	Barclay's Center
Location	Newark, NJ	Orlando, FL	Louisville, KY	Brooklyn, NY
Tenants	NHL New Jersey Devils, Seton Hall University Basketball	NBA Orlando Magic	Louisville University Basketball	Brooklyn (formerly NJ) Nets, NHL New York Islanders (2015)
Year Opened	2007	2010	2010	2012
Project Construction Costs	\$370 million	\$480 million	\$238 million	\$1 billion
Public Financing	City of Newark provided \$210 million from Newark's Liberty Airport Lease payments	\$1.1 billion supported by a 1% resort tax, includes other projects	Bonding supported by TIF District.	None identified
Private Financing	New Jersey Devils provided balance of funding	\$10 million from team owner, \$50 from team	None identified.	Part of larger private development project

## **2. KFC Yum! Center Financing.**

A 6-square mile TIF District was created around the arena. The arena shares the incremental state property and sales taxes generated within that district with the state. The TIF District revenue also includes state income taxes generated from salaries paid to employees within the arena complex. The TIF District revenue is used solely for debt service on the arena bonds.

## **3. Barclay Center Financing.**

Because the Barclay's Center was developed privately, few financial details are available. On December 15, 2009, the Brooklyn Arena Local Development Corporation issued \$511 million in tax-exempt PILOT Revenue Bonds to finance a portion of the arena. Among the sources of revenue supporting the bonds debt service are premium seating charges, naming rights fees, concession revenues and ticket revenues from non-basketball events. It important to note the bonds were issued 2 weeks prior to changes in IRS rules that no longer permit the issuance of these types of bonds to fund athletic stadiums or arenas went into effect.

## **4. Negotiations related to Sacramento Kings.**

An agreement between the City of Sacramento and the owners of the Sacramento Kings basketball team to build a new Entertainment and Sports Complex (ESC) that had been reached in February 2012 fell apart during the spring of 2012. On April 27, 2012, The Sacramento Bee reported that the reasons the agreement fell apart were that an agreement could not be reached regarding refinancing a \$67 million debt the owners of the Sacramento Kings owed the City and that the Kings' owners would not agree to a 30-year commitment to Sacramento.

According to the Sacramento City Council Report Number 2012-00231, the development of the ESC was estimated to cost \$390.5 million. Of that amount \$255.5 million would have been provided by the City of Sacramento from a variety of sources, including monetization (leasing or sale) of the City's parking operations and land sales. The Sacramento Kings and Anschutz Entertainment Group (AEG) would have provided \$132 million, and a capital campaign would add an additional \$3 million.

According to its web page: "AEG is one of the leading sports and entertainment presenters in the world. AEG, a wholly-owned subsidiary of the Anschutz Company, owns, controls or is affiliated with a collection of companies including over 100 of the world's preeminent facilities such as STAPLES Center (Los Angeles, CA), Sprint Center (Kansas City, MO), Citizen's Business Bank Arena (Ontario, CA), The Rose Garden (Portland, OR)..."

## **5. Sacramento Kings Moving to Seattle.**

On October 15, 2012, the King County Council and the Seattle City Council approved an agreement between the City, County and a group led by investor Chris Hansen to build a \$490 million basketball and hockey arena in the city of Seattle. The group led by Chris Hansen has purchased the NBA's Sacramento Kings with the intention of moving them to Seattle where they'll become the "new" Seattle Sonics. The sale still needs to be approved by the league, which is considered a formality.

According to the City of Seattle web site, and an October 15, 2012, Associated Press report, the following information is known about the arena development:

- There will be \$200 million in public financing, and Mr Hansen's group will provide \$290 million.
- No new taxes will be required. The arena will be self-financed.
- Only taxes and rent generated from the construction and operation of the arena will be used for the pay the \$200 million in public financing. In other words, the arena is funded by revenue that only exists because of the arena.
- Mr. Hansen's group is responsible to cover any shortfall in revenue needed to pay for the public financing.
- The teams using the arena will enter into a binding non-relocation agreement until the arena financing is fully repaid.

**V. OVERVIEW OF OKLAHOMA CITY’S DOWNTOWN REVITALIZATION PROGRAM.**

Oklahoma City’s downtown revitalization program has recently been invoked by Milwaukee civic leaders as an example of the possible role public financing might play in future capital improvement plans for both the BMO Harris Bradley Center Arena and Milwaukee’s Delta Center, e.g.:

- Remarks by Wisconsin Center District chairman Franklyn Gimbel on how to finance an expansion of the Delta Center included references to Oklahoma City.
- Mayor Barrett and Metropolitan Milwaukee Association of Commerce president Tim Sheehy visited the city about a year ago and met with civic leaders.
- The Metropolitan Milwaukee Association of Commerce invited Roy Williams, president and CEO of the Greater Oklahoma City Chamber, to make a board presentation in January, 2013, on how Oklahoma City used a temporary 1% sales tax increase to make hundreds of millions of dollars in civic improvements, including building a new basketball arena.

**1. Review Oklahoma City Tax Authority.**

Oklahoma City’s community revitalization program called MAPS (Metropolitan Area Projects) is divided into 4 funding cycles: MAPS, MAPS for Kids (aka OCMAPS), MAPS Sports Facilities and MAPS 3. The \$700 million MAPS for Kids was for construction, transportation and technology projects for Oklahoma City’s public schools and is not germane to this memo. MAPS, MAPS Sports Facilities and MAPS 3 focused on downtown development.

Oklahoma state statute gives Oklahoma City the authority to levy general use and special-purpose sales taxes, but state law prohibits the City from levying any real estate property tax. Special purpose sales tax levies must be approved by referendum. Oklahoma City has the following 3 long-term sales tax levies:

- 2% to fund general city operations.
- 0.75%; half (0.375%) funds police operations, and the other half goes to fire operations.
- 0.125% to fund the City Zoo.

As indicated in Table 5, beginning in 1994, Oklahoma City voters approved 5 limited-term special purpose sales tax levies.

**Table 5. Oklahoma City Limited-Term Special Purpose Sales Tax Levies, 1994 to Present.**

<b>Tax Rate</b>	<b>Special Purpose</b>	<b>Starting Date</b>	<b>Expiration Date</b>
1.0%	MAPS Projects	1/1/94	6/1/99
0.5%	Capital Improvements	7/1/00	3/1/03
0.5%	MAPS for Kids - Phase 1	1/1/02	4/1/03
1.0%	MAPS for Kids - Phase 2	4/1/03	1/1/09
1.0%	MAPS Sports Facilities	1/1/09	4/1/10
1.0%	MAPS 3	4/1/10	1/1/18

These special-purpose sales tax levies all supported MAPS downtown revitalization projects except for 0.5% levied between July, 2000 and February, 2003, which was used for City capital improvements such as police and fire information and mobile data systems, radio communications and dispatch systems, etc.

It should be noted that Oklahoma City avoided the kinds of cost overruns in its MAPS program often encountered by other cities launching similar revitalization initiatives by stipulating a “pay-as-you-go” policy that all funds needed for each project be collected in full BEFORE beginning construction. This policy has the added benefit of allowing collected funds to earn interest while held in reserve, which can in turn be used to fund the project. For example, the City collected over \$309 million in its MAPS sales tax levy between July 2000, and February, 2003, which earned an additional \$54 million before construction began, giving the City a total budget of over \$363 million for its first MAPS phase.

**2. Comparison of Oklahoma City to Milwaukee.**

Oklahoma City’s total sales tax levy is 3.875% including the 1% MAPS special purpose levy, and the State of Oklahoma levies a 4.5% statewide sales tax. Table 6 provides a comparison of Oklahoma City’s sales tax rates to Milwaukee, as well as a comparison of population, median income and median home price.

**Table 6. Comparison of Sales Tax Rates, Oklahoma City vs. Milwaukee.**

Category		Oklahoma City	Milwaukee
<b>Sales Tax Rates</b>	City	3.875%	0%
	County	0%	0.5%
	Miller Park	N/A	0.1%
	State	4.5%	5.0%
	Total	8.375%	5.6%
<b>Population</b>	City	597,967	597,867
	Metro Area	1,296,565	1,566,981
<b>Median Statistics</b>	Income	\$44,973	\$35,851
	Home Value	\$129,300	\$139,000

It should be further noted that the geography of Oklahoma City is significantly different from the city of Milwaukee. While the populations of both cities are roughly equal at approximately 600,000, Oklahoma City covers 606.41 square miles, more than 6 times the 96 square miles of Milwaukee, roughly equal to the total area of Milwaukee and Racine Counties combined.

**3. Overview of First Round of MAPS Projects.**

Table 7 indicates that MAPS projects totaling \$357.7 million were funded by Oklahoma City’s first round of 1% special purpose sales tax levies from January, 1994, through June, 1999. The projects were completed and opened for use between 1998 and 2004.

**Table 7. Overview of First Round of MAPS Projects Completed 1998 to 2004.**

Year Project Completed	Facility	Project	Project Cost (millions)
1998	SBC Bricktown Ballpark	Construct new minor league (AAA) baseball park	\$34.0
1998	State Fairgrounds	Renovations of the Arena & Exhibition Halls	\$14.0
1999	Oklahoma Spirit Trolleys	New 9-Bus Trolley Replica Downtown Service	\$5.0
1999	Bricktown Canal	1-mile Canal Linking Downtown to the River	\$26.0
2001	Civic Center Music Hall	Extensive Theatre & Music Venue Renovations	\$53.0
2002	Chesapeake Energy Arena	Construct new 581,000 sq. ft. Sports and Entertainment Center	\$87.7
2002	Cox Convention Center	Added 100,000 sq. ft. & 25,000-seat Ballroom	\$63.0
2004	Oklahoma River	Transform 7 miles into lakes and parks	\$53.5
2004	Norick Downtown Library	Replaced 1953 Building	\$21.5
<b>Total</b>			<b>\$357.7</b>

**4. Overview of MAPS 3 Projects.**

Oklahoma City began collecting a 1% special purpose sales tax in April, 2010, and will continue collecting until December, 2017, with a goal of raising \$777 million to fund the MAPS 3 projects identified in Table 8. Consistent with the MAPS “pay-as-you-go” policy, none of these projects have begun, and none will begin until the requisite funding has been collected.

**Table 8. MAPS 3 Proposed Projects.**

Proposed Project	Project Cost (millions)	Proposed Project	Project Cost (millions)
Convention Center	\$250	Senior Wellness Center	\$50
Public Parking	\$130	Trails	\$40
Modern Streetcar	\$130	Sidewalks	\$10
Oklahoma River	\$60	Infrastructure/Contingency	\$47
Fair Grounds	\$60	Total	\$777

## VI. REVIEW OF INVESTMENT IMPACT OF MAPS PROGRAM.

The Greater Oklahoma City Chamber of Commerce commissioned Oklahoma State University to analyze the MAPS program in 2003, and revised the study in 2005 and 2009. It was from the 2009 revision of the study that Roy Williams, president and CEO of the Oklahoma City Chamber, referred to when quoted in the Milwaukee Business Journal in November, 2012, “that the initial round of \$365 million in sales tax-funded [MAPS] projects alone resulted in \$5 billion in private investment.”

The \$5 billion figure is technically closer to \$4.72 billion because in the study both the \$357.7 million MAPS investments and other investment were combined as the “results” of the MAPS investments alone, a form of double counting suggesting the MAPS investments *resulted* in the MAPS investments. Even after adjusting for the “double counting”, it could be argued that the \$4.72 billion figure is misleading based on the following reasons:

1. The count of other investments in Oklahoma City which occurred about the same time or shortly after MAPS investments were made is simply a count, and it is difficult to establish a “cause and effect” relationship between MAPS investments and these “other” investments.
2. Because it is not clear whether certain “other” investments would have occurred regardless of MAPS investments, it could be argued that—although the projects may have indirectly resulted from some MAPS investments—the “other” investment should not be considered a “return” on the MAPS investments. Neither the original nor any revised Chamber of Commerce study attempted to calculate a “return” on Oklahoma City’s MAPS investments. The study does mention a \$350 million, or 60%, increase in property value between 1999 and 2004 in the downtown area targeted by MAPS, but the exact nature, and whether this property value total included MAPS developed properties, is also not clear.
3. The study fails to calculate a rough estimate of the economic impact of MAPS investment on the 4 “economies” described in Oklahoma City. No attempt was made to gauge increases in employment, wages paid, tourist expenditures or impact multipliers from spending in the area. As a Chamber of Commerce study, much of the focus was on visitor censuses at various attractions and total investments in the area.

In review of the Chamber of Commerce’s quoted \$4.72 billion impact, it can be observed that these impacts can be divided into “completed” and “projected” impacts. Only 60% of this quoted impact comes from completed projects, meaning 40%, or \$1.887 billion, comes from “projected” projects. Therefore, it may be inaccurate to count these projects before their completion.

The net \$4.72 billion impact can be further divided into “possible” and “questionable” investment impacts. Table 9 indicates that only \$507 million of the investment impacts cited by the Chamber of Commerce as likely resulting from the \$357.7 million MAPS investment are both “possible” and completed. As Table 9 further indicates, the impact of nearly 73%, or \$3.441 billion, of the quoted \$4.72 billion investment impact is questionable.



**Table 9. Analysis of Investment Impact of MAPS Projects.**

Project		Investment Impacts (millions)		
		Total	Projected	Completed
Possible Investment Impact	Hotels	\$213.0	\$23.0	\$190.0
	Office Developments	\$1,025.0	\$769.0	\$256.0
	Retail & Entertainment	\$61.0	\$0.0	\$61.0
	Sub-Total	\$1,299.0	\$792.0	\$507.0
Questionable Investment Impact	Public Projects	\$864.3	\$261.0	\$603.3
	Cultural & Institutional	\$67.0	\$2.0	\$65.0
	Apartment Development	\$358.0	\$120.0	\$238.0
	Medical & Research	\$1,948.0	\$660.0	\$1,288.0
	River Projects	\$184.0	\$51.5	\$132.5
	Sub-Total	\$3,421.3	\$1,094.5	\$2,326.8
Total ALL Projects		\$4,720.3	\$1,886.5	\$2,833.8

As an example, consider the \$1.948 billion supposed investment impact cited by investments made by Oklahoma City's medical and research community, chiefly the University of Oklahoma's Health Sciences Center. Roughly one third, or \$660 million, of this supposed investment impact comes from future investments not specified in the Chamber of Commerce's 2009 study revision. Of the remaining \$1.288 billion of completed investments, \$448 million are not specified in the study. Of the specified \$840 million in completed medical and research investment, \$593 million, or 70.9%, were made by University of Oklahoma Health Center.

This \$1.948 billion can be categorized as a questionable investment impact resulting from MAPS investments because medical health complexes generally make investment based solely on the institution's internal needs. Having an NBA and entertainment arena, a minor-league ball club, etc. may make Oklahoma City a more attractive place to live for hospital physicians and staff, and faculty and students at the medical school, but was probably not a major factor in a hospital's expansion plans or in the University of Oklahoma's investment decision.

Similarly, it is questionable that the \$864.3 million in public project investments resulted from MAPS investments, or were in fact MAPS investments by another name. Included in this category is \$40 million to build the Oklahoma City Federal Building campus to replace the Murrah Federal Building destroyed in the infamous 1995 bombing. The impetus for this investment seems unrelated to any MAPS investment made by Oklahoma City. For 17 years, federal employees and services have been dispersed in various locations throughout the city and the new campus simply brings them all back to a single location. The category includes smaller investments in a bus transfer station, a police substation, an emergency communication center, a bridge renovation and a skateboard park, all of which sound like MAPS-type investments rather than investments resulting from MAPS investments.

The single largest public project investment supposedly resulting from the MAPS projects, 79% of the total, is the \$360 million federal project to move Interstate Highway 40 south of downtown. It could be argued that it seems unlikely that Oklahoma City's MAPS investments caused the U.S. Department of Transportation to move its highway, and far more likely this \$360 million-

investment stimulated other investment by freeing up land for development in downtown.

Even among investments that possibly result from MAPS investment, there may be room for question. For example, 75%, or \$769 million, of the \$1.025 billion in office development investments listed as possibly resulting from MAPS investments are unspecified future projects in the 2009 study. There is no certainty these investments will ever be made.

Included among the completed office development investments is the \$40 million Dell Customer Care Center. There was stiff competition to attract Dell to Oklahoma City, and there is reason to believe the amenities created by the City's MAPS investment may have played some role in making Oklahoma City an attractive relocation option. On the other hand, SandRidge's \$100-\$150 million redevelopment of the Kerr-McGee Tower may be as much a result of the boom cycle of the highly volatile oil and gas exploration industry, historically a major sector in the Oklahoma City economy, than a result of MAPS investments.

## **VII. ECONOMIC BENEFIT OF PUBLICLY-FINANCED PROFESSIONAL SPORTS VENUES.**

### **1. It is arguable whether sports franchises are economic engines.**

Overall, publicly-financed sports venues have not paid off economically for the city, county or state governments financing them, at least in the last 15 years. In 1997, Roger Noll, now professor emeritus of economics at Stanford and Senior Fellow at the Stanford Institute, and well-known sports economist Andrew Zimbalist edited a landmark collection of their work and a dozen essays from other leading authorities on the business of sports, all debunking the conventional wisdom that a sports franchise was a fabulous economic engine.

Dr. Zimbalist is quoted as recently as 2009 on the "Freakonomics" website as saying, "One should not anticipate that a team or a facility by itself will either increase employment or raise per capita income in a metropolitan area."

Traditionally, proponents of public financing claim sports facilities improve local economies in the following main ways:

- Building the facility creates construction jobs.
- People who attend games or work for the team generate new spending in the community, expanding local employment.
- A sports team attracts tourists and companies to the host city, further increasing local spending and jobs.
- All this new spending has a "multiplier effect" as increased local income causes still more new spending and job creation.

However, a national study completed in 2000 published by the Cato Institute failed to uncover a single case a professional sports team boosting its host community's economy.

### **2. Most stadium and arena spending comes from local metro residents.**

According to Dr. Zimbalist, most stadium and arena spending comes from local metro residents, and as such, is simply a redirection of entertainment spending. Instead of spending their entertainment dollars at local restaurants and nights out dancing, they are spending at the ballpark or the arena. Their overall entertainment spending is constant.

Advocates argue new stadiums spur so much economic growth that they are self-financing: public financing and operating subsidies are offset by revenues taxes on ticket sales, sales taxes on concessions and other spending outside the stadiums, and increased property taxes from resultant real estate development and a general increase in community property values. In Milwaukee, with its narrow taxing authority, only the possible increase in property taxes is directly relevant.

### **3. Much of the income generated by the team is spent outside of the local economy.**

Professional athletes often do not live where they play, so the bulk of their income is not spent locally, and high salaries players, managers, coaches, and executives earn result in high savings rates, so a large portion may be invested outside the host city. In the meantime,

stadium and arena employees earn very low wages working part-time. Shifting entertainment spending from other entertainment options to professional sports tends to concentrate income, reduce the total number of jobs, and generally replaces full-time jobs with low-wage, part-time work.

Dr. Zimbalist allows that cities or counties may receive some level of economic benefit in publicly-financed stadium and arena deals where the sports teams agree to invest in development projects around the stadiums or arenas, but warns professional sports have been historically unreliable when it comes to promises to make such local development investments.

**4. Economic return is not the only reason for a city or county to finance a sports venue.**

Cities and counties spend millions to support a variety of cultural activities that are not expected to have positive economic effects, such as subsidizing local symphonies or maintaining public parks. A sports team can have a powerful cultural or social impact on a community, and many proponents for public financing have abandoned the economic argument and begun to claim that having a professional sports team enhances civic pride and a city's social status.

Economists recognize this "public good"—"externality" in economics parlance—is real, but also acknowledge that it is impossible to objectively measure, and will not be shared equally by all residents. However, the externality benefit generally explains why city and county residents may accept higher taxes or reduced public services to attract or keep professional sports teams, even though the investment does not "pay off" economically.

Many modern sports economists like Roger Noll maintain that public financing of sports facilities never generates an economic return. Sports economists cannot quantify or dispute the claim by public financing advocates that sports facilities are critical for a host city's self-image and prestige. Oklahoma City's wooing of Dell to build a \$40 million Customer Care Center is a good example of the possible "prestige" value of a sports franchise. While having an NBA basketball franchise and a Triple-A baseball team cannot be directly linked to Dell's investment, these community amenities may have been the minimum "prestige" attractions needed to make Oklahoma City eligible for the competition for Dell's new center.

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