THE PUBLIC OFFICIAL'S GUIDE TO ASSESSING A SPORTS COMPLEX PROPOSAL

A Thesis

Presented to the faculty of the Department of Public Policy and Administration

California State University, Sacramento

Submitted in partial satisfaction of
the requirements for the degree of

MASTER OF PUBLIC POLICY AND ADMINISTRATION

by

Ryan Scott Ong

SPRING
2013

THE PUBLIC OFFICIAL'S GUIDE TO ASSESSING

A SPORTS COMPLEX PROPOSAL

A Thesis

by

Ryan Scott Ong

Approved by:

_____, Committee Chair
Robert W. Wassmer, Ph.D.

_____, Second Reader
Su Jin Jez, Ph.D.

_____
Date

Student: Ryan Ong

I certify that this student has met the requirements for format contained in the University format manual, and that this thesis is suitable for shelving in the Library and credit is to be awarded for the thesis.

_____, Department Chair _____
Robert W. Wassmer, Ph.D. Date

Department of Public Policy and Administration

Abstract

of

THE PUBLIC OFFICIAL'S GUIDE TO ASSESSING

A SPORTS COMPLEX PROPOSAL

by

Ryan Scott Ong

In the years 1990–2011, communities across the United States subsidized over 89% of professional sports complexes (including both arenas or stadiums), providing teams with $18.240 billion in public funding for some 54% of the total costs. Even today, subsidies continue, with the promise that such an investment will create economic and social benefits. However, these anticipated benefits are seldom completely fulfilled and in many cases, the public is left with a great deal of debt. As we enter into the second decade of the 21st century, America's passion for sports continues to grow, and the pattern of subsidization requests is likely to continue. Should the public continue to subsidize sports complexes? Can the projects be configured so that the public is spared debt? How can public officials, academics, and the public alike truly evaluate a proposal for a sports complex?

Through my research, I have identified the factors needed to critically assess sports complex proposals. My findings fall into three broad categories: economic, social, and political. The details of each category have been formed into a checklist that can guide an analysis of any project.

After a thorough study, it is clear that subsidizing a sports complex as a standalone development—the predominant model over the last twenty years—does not yield net results greater than the invested funds. It is only when sports complexes are part of a broader public policy vision and are part of larger development efforts does a community stand to gain. Financial risk for the community is great whenever a sports complex is publicly subsidized. Public officials must ensure that future sports complexes are fiscally responsible and will maximize benefits for the community far beyond the profits for teams, sports leagues, and the players. Through due diligence carried out through the checklist included in this thesis, officials will have far better tools to assess a project and ensure that the resulting sports complex is truly of civic benefit.

_____, Committee Chair
Robert W. Wassmer, Ph.D.

_____

Date

ACKNOWLEDGEMENTS

The adage, “it takes a village to raise a child,” applies to my quest to finish graduate school. I am especially grateful to the following people who helped me cross this finish line:

Professor Rob Wassmer and Professor Su Jin Jez provided an immense amount of feedback and were always available for personal feedback, even while juggling classes and students with other theses.

TJP Consultant, Tim Padden; EPS Consulting, Tim Youmans; Sacramento Treasurer, Russ Fehr, and Sacramento Councilmember, Steve Cohn generously allowed me to interview them and offered real-world insights into sports complex developments.

My friends, colleagues, supervisors, and mentors, Derek Werthmann, Jammir Gray, Aaron and Christina de Guzman, Derrick Fesler, Katie Cardenas, George Bravo, Ngan Tran, Michael Billingsley, Kevin Navarro, Mark Barry, Frank Nevitt, Mike Amaral, Jorge Rivas, Jason Chan, Rupinder Jawanda, Kimberly Johnstson-Dodds, Stuart Mori, Ed Philpot, Barry Padilla, Katie Benouar, Sharon Scherzinger, John Adam, Ed Zimmerman, Darnell “Coach” Cooper, Jonathan London, and Tim Carter helped me reach my goal. I am thankful for their assistance and support while in graduate school.

My parents-in-laws, Earl and Cindy Coates, supported me throughout this process and I thank them for their encouragement.

My uncle, Mark Ong, and my aunts, Betty and Suzanna Gee played critical roles in encouraging my studies at a young age. Uncle Mark spent countless hours over the years discussing school and life, and I am grateful that he stuck with me.

My parents, Jim “pops” and Patricia “mama” Ong, devoted countless hours rearing me, from time spent at batting cages to evenings at the kitchen table studying the periodic table. They instilled a work ethic in me to succeed and taught me the importance of “battling at the plate until I got a pitch that I could handle”—I finally sent it back up “the box.” I can only hope to be as understanding, compassionate, and patient with the next generation as they were with me. My sister, Becky Ong, has always supported me, especially when I needed help working through difficult jams.

Finally, I wish to express my extreme thanks to my wife, Melinda Coates. Her encouragement, patience, and constant reminders to maintain a balanced life helped me keep my sanity while I was pushing myself to the limit. The countless times spent on the couch accompanying me late into the night studying and making me get up for work the next morning was greatly appreciated. I cannot wait to write the next chapter of our lives together.

TABLE OF CONTENTS

Page

Acknowledgements vii

List of Tables xi

List of Figures xii

Chapter

1. INTRODUCTION 1

Past Successes and Failures of Subsidizing Sports Complexes 3

Intangible Benefits Promoted by Subsidizing a Sports Complex 8

How Legislation and the Lack of Competition Shaped Sports in the US 10

1986 U.S. Tax Reform Act Gives the Advantage to Team Owners 13

Politics behind Subsidizing Sports Complexes 16

Assessing a Proposal for a Sports complex 19

2. LITERATURE REVIEW 21

Various Methodologies Used to Determine the Impact of a Sports Complex 21

Necessary Factors to Consider in a Typical Economic Impact Report 25

Sports Complex Subsidization 29

Hidden Costs of Subsidizing Sports Complexes 38

Qualitative Social Benefits 41

Quantifying Assertions 47

Politics of Subsidizing Sports Complexes 49

Gaps in Research 53

Conclusion 53

3. METHODOLOGY 55

Understanding the Costs and Benefits of Subsidizing Sports Complexes 55

The Economic Checklist 56

Social Benefit Checklist 64

Political Considerations Checklist 68

Consideration for all Three Areas 72

4. ANALYSIS 73

Assessing Sports Complex Themes 74

Economic Analysis 77

Social Benefits and Revitalization Assessment 85

Political Consideration Assessment 87

More Information Needed to Make Determination 91

5. CONCLUSION 93

Thesis Overview 93

Recommendations for Successfully Developing a Sports Complex 95

The Checklist 99

Decreasing Public Financial Risk 102

Looking Ahead 103

References 108

LIST OF TABLES

Tables Page

1. Table 1.1. Major Professional Sports Leagues Stadium Cost Overruns..... 6
2. Table 2.1. 1990 Net Accumulated Value of Sports Complex Investment..... 31
3. Table 2.2. Total Cost and Subsidization of Sports Complexes: 1990 to 2011. 37
4. Table 4.1. Sacramento County Per Capita Personal Income. 74
5. Table 4.2. Location of Kings and Monarch Patrons..... 78
6. Table 4.3. Major Employers in the Sacramento Region..... 88
7. Table 4.4. Average attendance of Kings home games from 1988 to the 2010 season. 90

LIST OF FIGURES

Figures Page

1. Figure 2.1. Economic Impact Analysis Algebraic Expression 26
2. Figure 2.2. Multiplier equation 27
3. Figure 3.1. Incremental and Income Multiplier Calculations 61

C H A P T E R 1

INTRODUCTION

Professional sports are a significant part of American society, and people feel that sports provide social and economic benefits for a community beyond mere entertainment. When the San Francisco Giants won the World Series in 2010, bringing its first title to San Francisco after 57 years, over a million people of different generations attended the team's ticker tape parade in what amounted to a joyous display of civic pride (Fagan, Berton, & Bulwa, 2010). One 63 year-old fan proclaimed he could go to his "grave and relax" after the parade (May, 2010). During the 2010 playoffs, restaurants and merchants experienced increased sales. One owner reported that his restaurant sales were 2.5 times higher than normal game day revenue (Pender, 2010).

Before the Giants moved into AT&T Park (formerly known as Pacific Bell Park and SBC Park) in 2000, the China Basin area was underutilized and in need of development. AT&T Park served as the focal point for redevelopment efforts that went on to include residential and commercial development, a ferry terminal, and Muni transit lines. The University of California San Francisco built a campus that included both China Basin and Mission Bay. These development efforts increased the value of land in the area, and an iconic stadium that generated goodwill, attention, and a civic identity was a vital part of that revitalization effort. In other words, the tremendously impressive development of China Basin, South Beach, SOMA, and Mission Bay might not have been possible were it not for the new ballpark.

However, in the last six decades, not all sports complexes have been as beneficial to their communities. Some have even been significant problems, as many subsidized stadiums became liabilities. The problem seems to be worsening, as construction costs increase and the demand for more luxurious and high-tech sports complexes grows.

Prior to the middle of the twentieth century, owners of American sports teams financed the cost of constructing, maintaining, and operating the sports complexes in which their teams played. However, this paradigm shifted in the 1950s, and local governments began to provide teams with financial assistance (Weiner, 2004). Government subsidies increased drastically over the subsequent decades. From 1990–2011, the public subsidized over 89% of professional sports complexes (arenas or stadiums), providing 140 professional sports teams [National Football League (NFL), National Basketball Association (NBA), Major League Baseball (MLB), National Hockey League (NHL), and Major League Soccer (MLS)] with $18.240 billion in funding—some 54% of total complex costs (Baade and Matheson, 2011).

When a new sports complex is proposed, the promotional effort is centered on an economic impact report that makes a predictable series of claims: the sports complex will add more jobs, revenue, tourism, and will be source of community identity and pride. However, academic research concludes that these economic impact reports typically underestimate expenses and overestimate the economic benefits for the studied region. While researchers accept that a sports team and its complex may have social benefits, the amount of subsidization may well exceed any social value produced by a team—and social value alone cannot replace the business-like analysis of net proceeds and proper contracts. Nevertheless, officials and the public repeatedly accept the economic and social claims of advocates without analyzing them critically, and they plunge ahead on projects that have gone on to become liabilities.

Certainly, after understanding the history of sports complex subsidization and after studying model cases that show how sports complexes can remain economically and socially viable, future projects must be designed where all can benefit and public risk minimized. This introduction reviews the history, claims by advocates and academic researchers, and politics behind the subsidization of sports complexes with a view of propounding such new sports

complex models. If officials and the public understand how to avoid the pitfalls of the past, they will be in a better position to set public policy and negotiate the financing of future projects.

Past Successes and Failures of Subsidizing Sports Complexes

Lambeau Field in Green Bay, Wisconsin and Olympic Stadium in Montreal are two prominent and contrasting examples of whether a sports complex can stimulate economic growth and social benefits. Both stadiums were publicly subsidized. Lambeau Field opened in 1957 at a cost of $960,000, split equally between the nonprofit Packers Corporation and the City of Green Bay (Green Bay Packers, 2012). The city paid its portion through municipal bonds. The stadium debt was completely paid in 1978 for $1,595,000 (principal and interest) (Green Bay Packers, 2011). In contrast, Olympic Stadium opened for the 1976 Olympics at a construction cost of $264 million with the intention of subsequently serving as the new home for Montreal Expos afterward. The stadium was publicly financed through a tobacco tax. Montreal finished paying the debt in 2006 at a final cost (principal and interest) of $1.5 billion. Lambeau Field is considered a treasure for Green Bay and football enthusiasts, while Olympic Stadium became a civic embarrassment and a financial drain on Montreal. It is worth looking in detail at each one.

The Packers and Lambeau Field Successful Outcome

The Green Bay Packers began in 1919, with a $500 donation from a local community business, the Indian Packing Company. At first, the team struggled financially, but was saved by five local businessmen who were called the “Hungry Five” because they often begged for money to keep the team operating (Green Bay Packers, 2011). The five men formed the first and only nonprofit sports team in North America in 1923.

Since 1960, the Packers have sold out every game. Fans travel from surrounding regions, such as Milwaukee and Eau Claire, to attend games. The season-ticket waiting list approaches

100,000 fans (Rovell, 2012). Fans from all 50 states, Guam, and the U.S. Virgin Islands bought "souvenir" shares in the publicly owned, nonprofit franchise in 1997–98, demonstrating how far reaching the Green Bay name recognition extends. Beyond Wisconsin, the predominant groups that bought Packer stock were 9,600 Illinoisans, 4,300 Minnesotans, 3,700 Californians, 2,900 Floridians, 2,800 Michigans, 2,500 Texans, and 2,000 Ohioans (Green Bay Packers, 2011). After the Packers won Super Bowl XLV in 2011, hundreds of fans volunteered to shovel snow at Lambeau Field so a celebratory rally could be held the following day (Jones, 2011). The football team has brought income, jobs, tourism, and national attention to a city of 104,057 that would otherwise be known for meatpacking and paper plants (City of Green Bay, 2003).

The Packers hired AECOM (2010, p. 15), an architecture, engineering, consulting, operations, and maintenance consulting firm, in 2010 to report on the economic impact that the team and its stadium has on Green Bay and Brown County. The report found that the Packers and their stadium created 760 jobs and $80.6 million in wages during the construction phase alone. Bast (1998) estimated the County made $500,000 in net revenue because of the team and Lambeau Field in 1996. Thus, the community has a strong sense of team ownership over the Packers (Bast, 1998). Over 80% of local businesses surveyed within the Green Bay region claim that business sales have increased since the stadium was redeveloped in the early 2000s (AECOM, 2010, p. 30). A Packers home game has a significant impact on hotel occupancy; every hotel within a fifty-mile radius was occupied for a Sept. 13, 2012, Thursday night home game against the rival Chicago Bears (Taschler, 2012). In a *Journal Sentinel* article, sports economist Kevin Quinn estimated that a Packers home playoff game generates $8 million for the Green Bay economy in the form of tickets, concessions, hotels, gas, restaurant meals, merchandise, and more (Taschler, 2012). Lambeau Field has been renovated several times since 1957, but it has not caused any catastrophic debt to Green Bay or the team.

The Black Eye that the "Big O" Gave Montreal

Olympic Stadium in Montreal, Canada is an example of high debt and cost overruns from a major sports complex. Built in 1976, the stadium was dubbed "The Big O" by the media because of its modern look. "The Big O" was soon changed to the "Big Owe" because of its financial strain on the city. Former Montreal Mayor, Jean Drapeau first promoted the idea of bringing the Olympics to Montreal by saying, "the Olympics can no more lose money than a man can have a baby" (Riley, 2012). Drapeau was wrong. The initial cost of the stadium was estimated at $134 million in 1976, but the final construction cost nearly doubled because of higher than expected construction costs and underestimated excise tax revenue. Montreal took nearly thirty years to pay off its stadium debt. When the final payment on the stadium was made in 2006, the total cost ended up being nearly $1.5 billion, including interest (CBC News, 2006). The Montreal Expos played in Olympic Stadium from 1977 to 2004, but relocated to Washington, D.C. when public officials there promised a new stadium to the team. Today, Montreal does not host a professional sports team and the city continues to shoulder more of its stadium's financial liabilities. This example remains a cautionary tale for public officials who are considering funding a sports complex.

Economic Experiences from Other Localities

Tropicana Field in St. Petersburg, Florida, was originally constructed in 1986 for $162 million. By the time the stadium is fully paid off in 2016, the cost for maintenance, renovation, and interest is estimated to be $323 million (Sharockman, 2008). The National Sports Law Institute (2001) found that seven sports complexes across the nation had cost overruns in construction alone totaling $414 million in 2001 (see Table 1).

Table 1.1. Major Professional Sports Leagues Stadium Cost Overruns (National Sports Law Institute, 2001)

Team	**Complex Name**	**Original Estimate**	**Cost Overrun**	**Cause**	**Payment**
Carolina Hurricanes	Entertain-ment & Sports Arena	$130M	$26M	Design changes requested by team and Centennial Authority, weather conditions	1) $5.2M from Centennial Authority reserve fund; 2) $8M from team; 3) $6M from NC State University
Cincinnati Bengals	Paul Brown Stadium	$287M (cost escalated to $458M before completion)	$51M	Changes from original plans, project delays, and additional expenses caused by weather conditions and land acquisition	Poor record keeping is limiting city / county officials from seeking collection of more than $18.5M from the project construction manager
Cleveland Browns	Cleveland Browns Stadium	$280M	$28M	Weather, additional construction costs	Browns owner, Alfred Lerner, and city officials agreed to split the cost overruns exceeding $283M with a cap of $293M
Cleveland Cavaliers	Gund Arena	$152M	$76M (combined cost overruns)	Construction costs	Team agreed to pay $7M in disputed costs
Cleveland Indians	Jacobs Field	$173M	$76M (combined cost overruns)	Construction costs	NBA Cavs have agreed to pay $7M in disputed costs
Houston Texans	Reliant Stadium	$310M	$57M (to date)		Taxpayers, through the Harris County-Houston Sports Authority, are responsible for cost overruns
Seattle Mariners	Safeco Field	$417M	$100M	Accelerated construction schedule, architectural flaws, and construction overruns	Mariners have paid for all overruns

The outright loss of money that these stadiums are causing has a double impact because of opportunity costs—the cost of not having money available for comparatively important projects. For example, Congressman Dennis Kucinich (D-OH), who headed the House Oversight and Government Reform subcommittee, declared the public financing of Yankee Stadium to be wasteful (2007). He questioned the wisdom of subsidizing teams to construct million or billion dollar complexes at a time when there were 12,176 structurally urban deficient bridges across the U.S. (US Government Printing Office, 2007).

Hamilton County in Ohio further illustrates the opportunity cost dilemma. The county funded two sports complexes in 1996: Paul Brown Stadium opened in 2000 and the Great American Ballpark opened in 2003. The County had a $1.4 million budget shortfall in 2012 due to overrun and infrastructure enhancement costs, operational and maintenance costs, rolling back property taxes in order to pass the 1996 referendum, and miscalculated revenue and cash flow projections (Albergotti and McWhirter, 2011). As a result, the county was forced to use some of its reserves and to sell a county hospital to cover its stadium debt (Ross, 2012). The $1.4 million could have been used to meet other needs such as helping the one-in-seven county residents who live below the poverty line (Albergotti and McWhirter, 2011). In the end, even these desperate short-term solutions did not meet the yearly expenses for the two stadiums. As Hamilton County Board member, Greg Hartmann stated, “we need a long term fix” (Weingartner, 2012).

Hillsborough County financed the entire construction cost of $168.5 million in 1996 for the Raymond James Stadium and entered into a sweetheart lease agreement with the Tampa Bay Buccaneers. The county assumed all responsibility for operation and maintenance costs (National Sports Law Institute, 2012), while only collecting $4 million a year in rent (Forbes, 2008). In contrast, the team takes most of the stadium’s revenue—such as the $32.5 million naming rights fee, advertising, and concession stands fees (Forbes, 2008). The favorable lease agreement allows

the team to remain profitable even though the Buccaneers struggled to sell out home games and had the third-worst attendance in 2012 (Forbes, 2012a). Many other local governments, such as New York, Miami, and Minnesota, have accepted similar heavy financial liabilities. When cities take on a large part or even the entire financial burden, they are invariably exposed to great financial trouble (Siegfried and Zimbalist, 2000).

Sports complexes are usually presented as a way to improve a city's economy and as a way to produce such social benefits as greater employment, increased tourism, higher tax payments, prestige, and community solidarity. However, econometric studies do not show the same results (Crompton, 1995). In fact, they show teams and sports complexes have a minimal impact on local economies and may even yield negative results. If a sports complex is a part of a bigger development, successful revitalization can occur, but large debt and liability must be prevented (Rosentraub, 2010, p. 2).

Intangible Benefits Promoted by Subsidizing a Sports Complex

Advocates say that funding a sports complex will produce intangible benefits for a community, leading to a better image, symbolism, civic pride, solidarity, or redevelopment. A celebration such as the San Francisco Giants winning the World Series in 2010 and 2012 brought more than a million people to downtown San Francisco to attend each victory parade (Reisman, 2012; CBS SF, 2012). Not only did people in the San Francisco Bay Area (and perhaps Northern California) feel better about themselves and their communities, the city experienced much higher visibility in the news. San Francisco enjoyed the glory of having a world champion team.

Civic pride and sports is clear in many other examples. The Sacramento Kings's fans rallied to keep the Kings and build the team a new arena in 2011. In the 1970s, the legendary Pittsburg Steelers defense was known as the Steel Curtain as a tribute to Pittsburgh's blue-collar

steel industry. Aloha Stadium is the home of the University of Hawaii's football team, hosts the NFL Pro Bowl, serves as a tourist attraction, and is the site of weekly swap meets and marketplace—the center of civic pride in several different contexts.

However, does civic pride justify granting multi-million dollar subsidies to multi-million dollar owners? This question can be tested through the contingent valuation method of analysis. This research determines the value a community puts on a stadium by using careful surveys. In most cases, academic research has found that communities actually place far less value on intangible benefits than the subsidization amounts being offered to a team. Chapter 2 will explore this point in greater detail.

Academic research does find a positive balance between community value and return on investment if a sports complex is an integral part of a larger development. Indianapolis is one well-documented example. Its success in revitalizing what was called a nonexistent downtown is becoming the blueprint for other cities to attempting to revive their own urban cores (Johnston, 2012). Indianapolis implemented a strategy that promoted amateur and professional sports, but surrounded the sports complex with a mixture of private development and residential housing. This balanced, culture-oriented development strategy helped attract more residents and visitors to the downtown region.

In contrast, Cleveland might resemble Indianapolis in size, population, and weather, but it has faced difficulty in revitalizing its downtown region. Cleveland attracted the Cavilers the same time Indianapolis got the Pacers in 1974, but the two cities downtown revitalization efforts have had different outcomes. The vision for revitalizing the Cleveland downtown area was disjointed and had a vague long-range strategy (Johnston, 2012). Cleveland's reliance on multiple sports complexes did not revitalize its urban core. Cleveland leaders are now using Indianapolis's development blueprint by building and connecting complementary attractors such as the

Cleveland Medial Mart and Convention Center, a conglomerate of health businesses to promote health technology innovation combined with a convention center (Johnston, 2012).

None of these questions would be important if a sports complex was constructed exclusively through private funds, as was done prior to the 1950s. Moreover, other civic projects such as opera houses and art museums are commonly built with private donations rather than huge public subsidies. In such cases, the donors who believe in the project create a public institution for the benefit of the wider society. In the same way, private funding to keep or attract a team is perfectly acceptable since it places no financial strain on the public. However, when public funds are involved, responsible officials must look more carefully at a sports complex proposal.

How Legislation and the Lack of Competition Shaped Sports in the US

The Cleveland Indians were the only team to play in a publicly subsidized stadium before the 1950s (Weiner, 2004). During the 1950s, the New York Giants moved to San Francisco and the Brooklyn Dodgers moved to Los Angeles because each city offered modern, publicly financed stadiums. By the 1970s, nearly 70% of baseball teams played in publicly funded stadiums and this number grew to 85% in the 1990s (Weiner, 2004). The average government subsidies for sports complexes were $86.8 million in 1971 and expanded to $346 million by the 1990s. From 1990 to 2007, seventy professional sports complexes were built with government subsidies that totaled nearly $11 billion (Santo, 2007). The dramatic increase in the number of subsidies and costs was aided by several historical events. The Sherman Act of 1890, the Clayton Act of 1914, the 1961 Sports Broadcast Rights Act, and the 1986 Tax Reform Act all encouraged the subsidization of sports complexes and inadvertently allowed leagues and their owners to establish monopolistic control of sports in the United States. Past court rulings accompanied by

America's interest in sports and a limited number of professional teams gave team owners the ability to leverage public funding by threatening to relocate to cities that would provide the demanded facilities. It is important to look at the government rulings that have effectively given the leagues monopolies in each of their sports.

Antitrust Laws not Applicable to Sports

The Sherman Act of 1890 made it illegal for businesses to purposely block competition and collude to fix prices. The Clayton Act of 1914 gave government the power to block mergers that weakened competition and allowed private parties to sue businesses that acted in an anticompetitive manner. These acts were ratified to ensure and preserve free trade of commerce within the states. However, MLB was granted an antitrust exemption by the US Supreme Court because it was deemed not to be "interstate trade or commerce" (US Senate Committee on the Judiciary, n.d.).

In fact, professional baseball was the first sport to challenge the Federal antitrust laws. In the case of the Federal Baseball Club of Baltimore v. National League in 1922, MLB destroyed its competition by buying teams in other leagues or enticing teams to leave competing leagues. When MLB did not offer to buy or compensate the Federal Baseball Club of Baltimore, the Baltimore owner sued MLB for conspiring to monopolize baseball by destroying a competing league. The Supreme Court ruled that MLB was exempt from the Sherman Antitrust Act and could selectively purchase competing teams in other leagues—thus allowing MLB to minimize its competition (Weiss, 1993).

In 1966, Congress permitted the NFL to merge with the American Football League (AFL). The NFL approached the AFL about merging because the competition between the leagues for college players nearly bankrupted some teams (Frommer, 2010). However, this

merger was in violation of antitrust laws. NFL Commissioner Pete Rozelle, taking advantage of a time when the national enthusiasm for football was high, convinced Congress that a merger was needed in order to keep both leagues financially viable. After great deliberation, Congress approved of the NFL-AFL merger—but this strengthened and centralized the power of the NFL.

Exclusive Broadcast Rights Act Strengthens Established Leagues

After a lower court ruled that the NFL's method of collectively pooling television rights from their owners to negotiate exclusive packages with multiple networks for broadcasting rights violated the antitrust laws, Congress passed the 1961 Sports Broadcast Rights Act (Kogan, 2008). This act allowed professional sports to negotiate exclusive and lucrative broadcasting rights with multiple media networks. The act also defined the relationship between teams within a league as interdependent business partners that must also maintain a level of competitiveness. Any potential competing leagues are at a severe disadvantage because they can neither command as much money nor establish exclusive contracts like the established leagues.

The power of broadcasting became evident in 1968, when football fans complained to the National Broadcasting Company about not being able to watch the final minute of a game between the Oakland Raiders and New York Jets. The network infuriated viewers by switching to *Hedi* exactly at 7:00 as the company intended—even though the game was still being played. The network had no idea that a game mattered so much to people and was intent on precisely following its schedule. Managers were astonished when the switchboard was overcome with calls. From that point forward, networks preempted programs when games ran longer than expected (NPR Staff, 2012). Sports, not the networks, dictate the schedule now—but this is only because of passionate and vocal fans. The Broadcasting Rights Act and the *Hedi* incident

indicated the rise of a lucrative climate for sports—and the leagues cleverly capitalized on the public's passion.

Legislation and historical advances in television and radio broadcasting left newly formed rival leagues scrambling for revenue. The power that the NFL gained from exclusive broadcasting rights with multiple networks proved to be too much for the United States Football League (USFL) to overcome. Despite the efforts of wealthy owners like Donald Trump, the USFL only lasted from 1983–1987. The NFL's exclusive multi-network and multi-year broadcasting contracts with networks made it impossible for the USFL to get any broadcasting agreements (Kogan, 2008). As a last act, the USFL filed an antitrust lawsuit against the NFL to collective punitive damages, but the court only ordered the NFL to pay the USFL $1 for violating anti-monopoly laws, forcing the dissolution of the USFL. Thus, once again, reduced competition and the public appetite for sports increased the leagues' ability to leverage public subsidies from government.

1986 U.S. Tax Reform Act Gives the Advantage to Team Owners

The 1986 U.S. Tax Reform Act was intended to stop the use of tax-exempt bonds to finance sports complexes. The legislation stipulated that whenever 10% of a sports complex's debt was repaid by private business revenue, the money would become taxable. This was intended to curtail or end subsidization (Kuriloff and Preston, 2012). Ironically, it had the opposite effect. Since the act allows no more than 10% of the payment of tax-exempt bonds to come from private sources, governments have ended up repaying up to 90% of the bonds (Siegfried and Zimbalist, 2000). In the past quarter-century, 64 sports complexes have used tax-exempt bonds to renovate or build a stadium or arena. Aside from the debt-burden, there is another consequence: the situation is costing the U.S. Treasury $146 million a year because local

municipalities borrow at a lower rate than a private sports team would (Kuriloff and Preston, 2012). Therefore, teams receiving tax-exempt bond financing receive a modernized sports complex below the market interest rate and are delighted to have the public pay up to 90% of the debt. The teams have been able to double their valuation since they are not responsible for any more than 10% of a sports complex's bond (Kuriloff and Preston, 2012).

Monopolistic Opportunity

All these factors have led to a lack of competition and regulation over the business aspects of professional sports, giving leagues monopoly power over their markets. The leagues have used this to immediately limit any possible competition from any non-member teams that might try to establish themselves. Independent teams cannot be admitted without a supermajority approval of existing owners. Moreover, if an expansion team is allowed to join the league or if a team is allowed to relocate, its owner must pay a substantial entry league fee or relocation fee to the current owners. Bob McNair, owner of the Houston Texans, paid a $700 million franchise fee to the NFL in 1999 (Forbes, 2012b). This high barrier to joining the league or relocating is the most elementary way that the major leagues maintain their monopoly control.

The steep cost of entry or relocation and the requirement for owners' approval for all major decisions has created an artificial scarcity of teams—even though many regions want teams. The leagues choose to maintain this artificial scarcity because it maximizes revenue. They hold exhibition games in nonaffiliated regions to pique the public's interest in obtaining a team—and to maintain the pretense that they are stimulating competition. The City of Oklahoma is a prime example of this strategy. After Hurricane Katrina, the NBA decided to move the Hornets home games to Oklahoma City for the 2005–06 and the 2006–07 seasons. The NBA determined that the city could support a team after the Hornets returned to New Orleans. The city offered to

modernize the Ford Center and construct a new practice complex for any team that would relocate. The cost of the renovation and practice complex came to $120 million (Allen, 2008). The Seattle SuperSonics moved to Oklahoma in time for the 2008–09 season after Seattle refused to renovate their own arena. While it seems as if a city acquired a new basketball team, no basketball team was added to the league.

Due to the power that the NBA wielded, and exploiting the willingness of a city to invest money, the NBA controlled a market where the only financial competition was between the two cities bidding for a team. Seattle instantly lost its bargaining power because the league found a new home for an already-existing team under more favorable conditions—with owners conveniently voting to approve the move. Seattle was left without a team and is now in discussions to refurbish the Key West Arena in an attempt to attract the Sacramento Kings (Condotta, 2013). However, the same scenario is about to be repeated. If the Kings move to Seattle, Sacramento will lose a team, and again, the NBA will be in complete control of the situation. The leagues have shrewdly taken advantage of all the regulations and have maintained a monopolistic control of their markets to guarantee the maximum profits for themselves—and all at the expense of host regions.

Furthermore, exclusive rights to players through the amateur draft and player contracts make it hard for any potential leagues to establish themselves or to attract top talent. The possibility for an alternative league is therefore suppressed and a city is forced to negotiate only with established league teams. A team can play one city against another for the best subsidization deal as in the Seattle-Oklahoma City example above—or the Sacramento-Seattle situation. The advantage rests completely with the league and its owners.

Politics behind Subsidizing Sports Complexes

The situation with the Hornets and the SuperSonics are examples of how sports leagues have capitalized on their monopoly of the market. Sports leagues have controlled the number of teams and stimulated interest in regions without teams. Academic research proves that any supposed economic benefits of a team for a region are exaggerated or nonexistent, but the leagues cleverly tend the myth that teams are desirable, exciting, and prestigious—and that they bring economic benefits. Interestingly, the research also shows that the sports leagues would still exist without public subsidies. Their profits would surely be lower, but they would not go out of existence.

Understanding the Power and Motives of Ownership

All four sports leagues are controlled by their owners. Owners have the power to allow or reject a team's request to relocate or grant an expansion team membership. If communities do not meet a team's demands, the league can approve and even help that team relocate to another region with a better subsidization offer, as was evident in the case of the SuperSonics. At the same time, owners in each league have learned to expand fast enough to deter potential competitor leagues from forming, but slow enough to maintain apprehension about the possibility of a team relocating (Siegfried and Zimbalist, 2000). Since 2000, Montreal, Charlotte, Seattle, New Jersey, and Atlanta have lost their professional sports teams to regions such as Washington D.C., New Orleans, Oklahoma, Brooklyn, and Winnipeg. More teams are threatening to relocate today, with the leagues carefully orchestrating their maneuvers.

Owners justify the need for a modernized sports complex by claiming that a current complex is lacking the luxury boxes, club seats, catering amenities, and advertising opportunities that generate substantial revenues for teams (Siegfried and Zimbalist, 2000). Team owners have

turned away from multi-sport complexes over the past two decades and insist on single-sport complexes. This helps owners gain more revenue because they do not have to share any proceeds with another team.

Modernized sports complexes may contain attractions that offer additional revenue sources, but they also change the dynamics of a team's fan base. After the construction of a modernized complex, fans who attend games will generally be more affluent. Ticket prices increase with the opening of a new sports complex and change the demographics to more wealthy patrons—thus bringing in more revenue. The New York Giants increased their ticket prices by 26% and the Jets increased their ticket price by 32% with the opening of the new Medowlands Stadium in 2011 (Tucker, 2011). Teams also amortize some of the construction cost over the new, more affluent fan base through private seat licensing. Since private seat licensing requires fans to purchase the rights to buy tickets in advance, an owner generates more money from fans and locks them into commitments to buy tickets and attend games. The San Francisco 49ers will sell 9,000 licenses between the prices of $20,000 to $30,000 a seat (Barrows, 2012).

Pressure to Meet the Demands of Team Owners

As illustrated throughout this chapter, the overall public rarely sees any true economic benefits from building or renovating a sports complex, but the pressure to continue to keep sports as a civic good continues. Discussion about the need for a modernized sports complex can stay in a community for many years, even if many citizens are reluctant to allocate funding. Lobbyists, construction labor unions, advocate coalitions, and vocal fans all help keep a proposal for a sport complex alive. For example, the Minnesota Twins lobbied the state legislature for more than ten years before $387 million was allocated to construct a new stadium. As a result of such constant

pressure, DeMause (2011) claims public officials can eventually be persuaded to ignore even a majority of voters who might disapprove of subsiding a sports complex.

When public officials want to have a sports team and a complex as part of their own legacy or when they fear political backlash for failing to keep a team in town, the situation becomes even more complicated. Sports complexes are a far more impressive legacy accomplishment than, say, social service programs, and officials are therefore more likely to meet the demands of owners who want to build bigger and more costly sports complexes. Officials also like throwing out the first pitch or entertaining political donors in exclusive luxury box seats during home games (DeMause, 2011). Sacramento Mayor Kevin Johnson was lauded in the local media and was given a standing ovation at a Kings game shortly after the community thought a deal had been struck to finance a new arena (Devine, 2012). Fear of political backlash also motivates public officials. If a team leaves a region, a public official will be blamed for letting them relocate—jeopardizing his or her chances of reelection. Former Pittsburg Urban Redevelopment Authority, Executive Director, Mulugetta Birru said, "If the Steelers ever left town, elected officials would be hung" (Diedrich, 2007).

Sports Would Exist without Subsidies

If public subsidies were eliminated, the teams would still survive in an existing complex. Over 40% of major football collegiate teams play in stadiums built before Chicago's Soldier Field opened in 1924—the oldest NFL stadium in the league (Haddock, Jacobi, and Sag, 2011). The players and owners income and revenues would probably decrease, but the teams would remain in business (Siegfried and Zimbalist, 2000). The subsidization of a sports complex is not required for a team to remain competitive in an established league, as was the case with MLB before the 1950s. The frantic competition between regions has led to a financial inequality between the

public and owners where government is left with the cost and financial liability and owners and players are left to split the revenue.

Assessing a Proposal for a Sports complex

The success experienced by San Francisco in building AT&T Park stems from strong leadership and public officials' ability to successfully negotiate a deal to make the stadium financially viable for both the team and the city. It is commonly thought that AT&T Park was entirely constructed without the use of public funds, but the Giants organization received $15 million worth of tax increment financing (Long, 2012) and redevelopment efforts surrounding the area. If future proposals for sports complexes are to be as successful or even more successful, then officials must be able to review proposals completely and critically. In this way, they can be more able to negotiate financially viable arrangements and ensure the best of what sports can offer in our society.

The following chapters identify key areas that must be analyzed, and they outline strategies that make a sports complex successful for the public. We will see how to assess an economic impact report, how to account for all important costs and benefits, and how to assess the important social and political factors. Here is what will be addressed in the following chapters:

Chapter 2 is a literature review, and concludes that sports complexes alone do not spur economic benefits for a community. Publicly subsidizing a private business such as a team is rationalized through economic impact reports, but these reports can be misleading. Further, advocates portray social benefits as priceless, but research has found that a community often values sports complexes less than the subsidy amount being requested. The politics associated with developing a sports complex is also analyzed in this chapter.

Chapter 3 explains the best evaluation methods to assess a sports complex proposal. Public officials must consider three major areas—economics, social benefits, and politics. A checklist guide composed of 33 critical factors—15 economic, 8 social benefits, and 9 political considerations—can reveal the feasibility of investing in a sports complex.

Chapter 4 uses the 2003 Railyard proposal for the Sacramento Kings as a case study for applying the checklist. The *Phase II Analysis of a Sacramento Sports & Entertainment District* (2003) report is critiqued for its economic impact assessment report and claimed social benefits.

Chapter 5 gives conclusions and recommendations, and emphasizes the importance of using public money responsibly, highlights key findings from professional interviewees, suggests strategies that public officials should utilize, and provides an outlook for future sports complex subsidies.

CHAPTER 2

LITERATURE REVIEW

Professional sports advocates and academic researchers alike have conducted studies on the economic and social effects of sports complex subsidies. However, the two sides do not agree because they use different methodologies. Advocates rely on economic impact reports, whereas researchers rely on cost-benefit analyses, comparative analyses, and contingent valuation methods. The differences between methodologies mirror the difference in what each side supports. Advocates say that economic impact reports demonstrate the likelihood of economic growth and greater social benefits. Academic researchers consistently find economic benefits rarely materialize and they question the possibility of any sports complex creating greater social benefits (Baade, 1994).

This chapter begins by reviewing the different methodologies for assessing the economic and social impact of a sports complex. It will then highlight the important points to consider when analyzing a project proposal with its economic impact report: economic factors, the reasons why past sports complexes have not produced economic benefits, how to quantify social benefits, political considerations, and gaps in current research.

Various Methodologies Used to Determine the Impact of a Sports Complex

The calculation of benefits and costs for a sports complex depends on the selection and correct use of a study method. Due the complexity of subsidizing sports complexes, researchers have turned to applying multiple methodologies to understand the true economic and social impacts. If public officials are restricted to a single method, it handicaps their ability to understand the project and to reduce a community's financial liability. Among these other

methods that are important to utilize are the economic impact analysis, the cost-benefit analysis, the contingent valuation method, and the comparative analysis.

Economic Impact Analysis

An economic impact report projects the change in economic activity that might occur because of a project such as a sports complex. It does so by using a multiplier, a factor of proportionality that helps predict outcomes as changes in variables. The multiplier's coefficient is determined by input-output tables that measure the strength of the primary industry (in this case, the sports team) and linked industries such as other businesses in the area that stand to benefit from greater income (Howard and Crompton, 1995, p. 65). Consultants use software such as the Regional Economic Models, Inc. (REMI), the Regional Input-Output Modeling System (RIMS II), or the IMpact analysis for PLANning (IMPLAN) to the derive the region's multiplier.

The multiplier projects three economic effects: direct, indirect, and induced impacts (Howard and Crompton, 1995, p. 61; Baade, 1994). Direct effects consist of increased outcomes that occur in an industry such as higher revenue in the entertainment sector. Indirect effects include the impact that the investment or project has on linked industries such as hotels, restaurants, or retail markets. Induced effects include changes in employment or personal income. By totaling the direct, indirect, and induced effects, the overall economic change for a locality is determined.

Cost-Benefit Analysis

A cost-benefit analysis is a systematic calculation that evaluates a project by using benefits and costs to determine a net result (Fuguitt and Wilcox, 1999, p. 66). In order to conduct a cost-benefit analysis, the causal effects of a project must be understood and a baseline scenario must be established to compare the proposed project versus how the region would remain if the

project was not built (Fuguitt and Wilcox, 1999, p. 63). The cost-benefit analysis also takes opportunity costs into account (Taks, Kesenne, Chalip, Green, et. al., 2011).

Opportunity costs are activities that have been forgone in order to pursue another activity (Fuguitt and Wilcox, 1999, 46). The cost-benefit analysis method is to be more accurate in producing a net present value of an investment or project than the economic impact analysis because it includes a discount rate and sensitivity analysis. A discount rate considers the rate of return from the best alternative investment and the social preference of forgoing the future for the present (Fuguitt and Wilcox, 1999, p. 98). A sensitivity analysis offsets approximation errors and accounts for the opposition's belief to adjust for subjective calculations. However, the accuracy of this analysis is dependent on market values, which makes it difficult to measure externalities such as civic pride, image, and city prestige. However, the cost-benefit analysis is limited in its ability to measure externalities because of its reliance on the market to determine values for goods and services. Externalities are the side effect or result that occurs because of an investment or project that affects other parties who are not directly involved in the transaction and where the value cannot be reflected in a market environment (Fuguitt and Wilcox, 1999, p. 168). Academic researchers have therefore begun using the contingent valuation method to assign a value on positive externalities that a sports team and its complex bring to a community.

Contingent Valuation Method

Advocates often claim that a sports team and its complex will increase the community's prestige, civic pride, and national recognition. Determining a value for these externalities is difficult because a market does not exist to specifically give a valuation to these intangible benefits. The contingent valuation method is a calculated way to assign a value for externalities. This calculation is conducted by creating 1) a hypothetical market, 2) a valuation of questions that

extract the participant's preference, and 3) information about the respondent's characteristics and preferences to test the validity and reliability of a participant's willingness to pay response (Fuguitt and Wilcox, 1999, p. 187). These three components are applied and conducted through surveys to determine a community's willingness to pay for qualitative externalities (Johnson and Whitehead, 2000; Johnson, Groothuis, and Whitehead, 2001).

Comparative Analysis

The comparative analysis involves reviewing and modeling ideas and strategies from other similar governments, organizations, and institutions. This method is effective because it helps a locality establish strategies by looking at other localities that are dealing with a similar situation (Mintrom, 2012, p. 209). Key factors and strategies used by other localities can serve as a blueprint in the proposal process.

The Combination of Methods

Each method has its strengths and weaknesses, but when combined, they provide public officials with a more comprehensive review of a sports complex subsidy proposal. Crompton (1995) states that an economic impact analysis is a "powerful and valuable tool if it is implemented knowledgeably and with integrity," but this seldom happens. Consequently, public officials and the public accept economic impact reports based on misleading figures (Noll and Zimbalist, 1997, p. 85). The subjectivity inherent in economic impact reports can therefore be avoided if public officials reviewed a proposal using multiple methodologies (Baade and Dye, 1990; Bast, 1998; Coates and Humphries, 1999; Chapin, 2002). It would be best if any approval process considered the key economic factors detailed in the next section.

Necessary Factors to Consider in a Typical Economic Impact Report

Many question the difference in findings between academic reports and the economic impact reports submitted by sports complex advocates. This is not surprising since the two sides are measuring different factors. As our understanding of the economics of sports complexes grows more sophisticated, new projects can benefit by a complete range of analysis methods. In particular, research shows that we should more closely examine these issues: calculation and associated costs subjectivity, boundary, multiplier issues, and gross-net projections.

Calculation and Associated Cost Subjectivity

Few economic impact reports produced by consultants predicted the actual problems of the eventual completed project (Baade, Baumann, and Matheson, 2008; Crompton, 1995; Long, 2005). Long (2005) studied 99 sports complexes using the cost-benefit method and applied a 2001 discount rate of 7% over the course of 30 years. Her analysis included costs commonly overlooked by consultants: land and infrastructure expenses, annual public expenses, forgone property taxes, and public subsidy adjustments. She discovered that all 99 complexes suffered a total of $5 billion in underreported subsidies; the average underreported cost for each complex was $50 million—roughly a 40% increase in total costs to the public.

If such inaccuracy is to be avoided in the future, public officials and the public must examine these factors: defined regional boundary, multiplier, measurement, and forecasted benefits and costs (Crompton, 1995). Furthermore, the report should state net costs and benefits rather than rosy gross proceeds (see Figure 2.1). If a given economic impact report does not meet these standards, then more detailed data must be requested.

Figure 2.1. Economic Impact Analysis Algebraic Expression (Noll and Zimbalist, 1997, p. 74)

Net Benefit =

(consumption value of a team to fans) – (annual cost of stadium + team operating cost) – (environmental, congestion, and public safety costs) +

(increase in local income × multiplier)

Further, a discount rate should be applied to these variables to gain a better assessment

Importance of a Defined Boundary

Any economic analysis should clearly state the geographic boundary being studied. Siegfried and Zimbalist (2000) believe the boundary should be delineated based on the tax jurisdiction that is subsidizing the sports complex. If a larger boundary is used, it overestimates a locality's benefits by attributing regional benefits to the smaller area of those actually paying for the subsidy (Crompton, 1995). Moreover, a small tax boundary also means greater potential for new revenue to leave the boundary—called leakage (Howard and Crompton, 1995, p. 60). Consultants often use boundary benefits to produce misleading economic benefit forecasts.

Multiplier Issues

The multiplier is the most critical and scrutinized aspect of an economic impact report because it is pivotal in forecasting future economic growth and its subjective calculations. The multiplier determines the projected economic benefits of a sports complex. Each region should have a custom-determined multiplier specifically for its area, with the method for determining the value clearly stated. Consultants should avoid using multipliers from other localities, just as they should avoid using overly optimistic multipliers (Crompton, 1995).

Crompton (1995) recommends that consultants disclose how the multiplier was determined. It is important that the multiplier be calibrated according to the tax base area and the

spending and saving characteristics of a locality (see Figure 2.2). Based on a study conducted in 1986 by the University of Missouri, Howard and Crompton (1995, p. 77) and Crompton (1995) state 90% to 95% of multipliers used in these reports should use a coefficient that ranges from 0.4 to 0.8. Mills (1996) also concludes that the multiplier coefficient effect of major capital projects are less than 1.0 and are typically around 0.5.

Figure 2.2. Multiplier equation (Noll and Zimbalist, 1997, p. 75)

Multiplier = 1/(1 - S)

S = C × F; C = fraction of the increment to pre-tax income that is spent on consumption; and F = fraction of local consumption expenditures that generate an increase in the local net income

The use of multiplier analysis to measure the economic impact of a sports complex should not be based on economic growth for "ordinary people earning ordinary incomes" (Noll and Zimbalist, 1997, p. 72). Players typically have a higher rate of savings because their playing careers are limited (Crompton, 1995). The average life span of a player ranges from 3.5 to 5.6 years depending on the physical demand of the sport (RAM Financial Group, 2011), so the prudent ones put much of their salaries into savings—again meaning that revenue generated from the sports complex is not trickling into the local economy. Further, players typically leave the community for other destinations during the offseason, spending their income in other communities. At this point, it has yet to be seen that an economic impact report accounts for the differences between ordinary incomes versus players and management incomes. Noll and Zimbalist (1997, p. 73) urge that a detailed expenditure study on players and management be conducted in order to accurately determine the magnitude that a sports complex would have on a locality.

Multiplier Software Limitations

The number of factors that current software applications take into account also creates further issues when attempting to project a sports complex's economic impact on a community. For example, Mills (1993 and 1996) and Baade and Zimbalist (1997, p. 97) show that the data being used in the multiplier software cannot accurately project net growth. The data fails to capture constraints such as a trade-offs or resource constraints like private capital or labor markets, which can impair the growth potential of a public project such as the displacement of current employees and the economic implications of local taxes levied on a community. Mills (1996) also concludes that local economic modeling is extremely difficult to accomplish because local economic data is not always available. This prevents the software from producing the negative figures that academic research consistently finds. The use of generic multipliers gives the impression that a sports complex will have a huge impact over the local economy. Howard and Crompton (1995, p. 65) find that each multiplier-generating software will produce a different result when applying the same input data because they are all conceived differently and use different assumptions and statistical procedures.

Difference between Gross and Net Benefits

Using gross benefits fails to factor in associated costs. Bast (1998) and Crompton (2006) find that economic impact reports can be misleading if they include a locality's current economic market. The current local economic activity should be subtracted from projected figures to gain the true economic benefits produced. Visitors who do not visit the locality with the sole intent of seeing a sports event should also be excluded from the economic impact calculations. The more accurate method of determining the impact of a sports complex would be to review net benefits and costs (Crompton, 1995). It is also important to project benefits and costs out to the life of the

sports complex. Baade and Sanderson (1997, p. 104) state that projected benefits from a new sports complex are higher in the short-run than the long run because of the "novelty effect" that lasts from five to ten years. After this period, the excitement wears off and interest and attendance for a team returns declines (Baade and Sanderson, 1997, p. 96).

Sports Complex Subsidization

Academic research concludes that sports events do not bring as much new money to a community as is often promised in the proposals. One reason for this is entertainment substitution, meaning the money spent directly or indirectly on sports would probably have otherwise been spent inside the community on different entertainment. Therefore, sports complexes and events bring little additional economic benefit to the community because the money being spent is already within it (Crompton, 1995). A better measurement for determining whether a sports complex will produce substantial economic benefit is to compare the team's revenue to the total disposable income of the city. Noll and Zimbalist (1997, p. 56) determined the economic impact that the NFL had on several cities by estimating the NFL's gross revenue average for each team at $75 million and dividing it by the total disposable income of each city. Disposable incomes were determined through the 1996 Commercial Atlas and Marketing Guide (for example, $18,908,024 in Jacksonville, $49,101,894 in St. Louis, and $406,408,948 in New York) (Rand and McNally, pp. 40–43). The results showed only a slight impact on disposable income spending: 0.4% in Jacksonville, 0.2% in St. Louis, and 0.02% in New York.

A case study of the 2005 Pan-American Athletic Junior Championships for the community of Windsor, Canada further illustrates the discrepancies that can occur by using different methodologies. Taks, Kesenne, Chalip, Green, et. al., (2011) applied a combination of the economic impact analysis method and the cost-benefit analysis method to determine the

economic growth that the championships would have on Windsor. The study surveyed 1,379 nonlocal and local individuals out of 2,829 people; the collected data was then applied through both methodologies and significant differences were noted. The economic impact analysis method yielded $5.6 million in benefits, while the cost-benefit analysis method yielded a *negative* net benefit of -$2.4 million. The researchers concluded that the cost-benefit analysis method portrayed a more realistic picture of actual benefits and costs. This was because the economic impact analysis considered all spending to be positive instead of distinguishing between costs and benefits like the cost-benefit analysis method. The following subsection will explain common problems that academic researchers have with using an economic impact analysis to measure the net benefits that will occur when the government provides a sports complex subsidy.

Overestimating Sports complex Benefits

Cross-sectional and time series studies have been performed to further show sports complexes produce minimal to no tangible economic benefits for the public (Siegfried and Zimbalist, 2000). A cross-sectional study involves observing a population for a defined interest during a point in time and comparing the results to another population set; a time series study looks at a given population for a defined interest during interval periods. Both methods compare areas with and without sports complexes and teams and control for irrelevant differences.

Three prominent cross-sectional sports complex studies performed by Baade (1994), Baim (1990), and Walden (1997) found that sports complexes do not produce any statistically significant financial benefits for a region. All studies controlled for underlying variables that might otherwise affect economic growth. Baade (1994) studied 36 professional sports team affiliated regions and 12 comparable non-affiliated team regions from 1958 to 1987. Baade's research coincided with Baim's study that sports complexes are not statistical proven to stimulate

economic growth. Baim (1990) calculated the net benefit-cost for each city by subtracting benefits (revenue, rent, sales, and property tax) from costs (capital, operation, debt service, opportunity costs). Baim's study further proved that sports complexes could produce financial loss. Based on a small relative sample size, he found thirteen out of fourteen sports complexes resulted in a financial loss when comparing the tax revenues from the project to the tax dollars invested (see Table 2.1). Walden's (1997) research, as cited in Siegfried and Zimbalist's (2000) article, looked at 46 cities from 1990 to 1994 and concluded that the local economy does not benefit by constructing a modernized sports complex. Walden, instead, asserts that increasing high school graduation rates and increasing spending on law enforcement have more benefit to a local economy than subsidizing a sports complex.

Table 2.1. 1990 Net Accumulated Value of Sports Complex Investment (Baim, 1990)

Sports complex	**Number of Years Reviewed**	**Net Accumulated Value (Loss)**
Anaheim Stadium	19	($3,224,565)
Atlanta Stadium	20	($13,595,738)
Baltimore Memorial Stadium	32	($2,922,206)
Buffalo War Memorial Stadium	20	($836,021)
Cincinnati Riverfront Stadium	17	($3,666,056)
Denver Mile High Stadium	18	($1,033,661)
Foxboro Sullivan Stadium	15	($1,742,555)
Los Angeles Dodger Stadium	12	5,854,110
Minneapolis Metrodome	5	($3,010,639)
New Orleans Superdome	12	($70,356,950)
Oakland Alameda Coliseum Complex	19	($4,887,798)
Orchard Park Rich Stadium	11	($19,479,606)
San Diego Jack Murphy Stadium	17	($9,372,527)
Washington D.C. RFK Stadium	25	($11,032,655)
Total Net Accumulated Value for 14 Stadiums		*($139,306,867)*

Time series research likewise demonstrates that sports complexes fail to produce economic benefits for the public. Baade and Sanderson (1997, p. 114), observed 10 regions that gained a new sports franchise during the period 1958 to 1993. Their research found no statistical evidence that these regions experienced any additional economic output or employment growth solely from the construction of a sports complex. Coates and Humphreys (1999) observed 37 regions from 1969 to 1994 and found that constructing a new sports complex actually reduced per capita income. In the case of Baltimore, they found that Camden Yards reduced each household income in the region by $14.70 a year (Coates and Humphreys, 1999). Consultants state grandly misleading figures when they only state gross benefits, but when gross costs are factored into the equation, the results are consistently a net loss.

Why is it Difficult for Sports Complexes to Actually Produce Economic Benefits?

Further academic research concludes that there are three primary reasons why sports complexes do not produce economic benefits for the public: 1) entertainment substitution, 2) incorrect calculations, and 3) budgetary impact on government.

Entertainment Substitution

Professional sports are a form of entertainment. A patron buys a ticket for a movie; a fan purchases a ticket to a sporting event. Academic research shows that local fans attending sporting events shift their allotted entertainment budget from other forms of entertainment such as going to the movies, dining out, or traveling (Baade and Dye, 1990; Siegfried and Zimbalist, 2000). Positive economic impacts can only stem from two situations (Crompton, 2006): 1) fans from outside the region spend money within the defined boundary and 2) fans decide to spend more money within the defined boundary than normal. When such realignment of spending occurs, there is little net increase in economic activity, and byproduct problems such as insufficient job

growth can follow (Baade, 1996). Unless local households increase their entertainment budget or use savings to attend sporting events, sport complexes cannot generate any additional economic benefits for the local economy. Entertainment substitution revenue should therefore be subtracted when calculating the economic impact that a sports complex has on a region (Crompton, 1995).

Fans who attend games from outside the financing region of a sports complex can inject new money into the local economy. Siegfried and Zimbalist (2000) found that between 5–25% of nonlocal fans attend a sporting event. This proportion again brings up the importance of defining the local boundary. The larger the defined area around a sports complex, the more “local fans” are counted, and by extension, less newly generated revenue from "nonlocal fans" can be considered. In one example, an economic impact study conducted by C.H. Johnson Consulting, Inc., Siegfried and Zimbalist (2000) found that the consultant’s claim of 35% of nonlocal fans attending Boston Red Sox home games to be the result of an undersized local boundary. Once again, the only sensible solution is to define a community’s size by the tax-boundaries of the community that is subsidizing the complex.

Furthermore, studies should exclude nonlocal spectators who attend games for “time switching” or “casual” purposes (Crompton, 1995). Crompton defines time switchers as people who have adjusted the timing of their trip to attend a game. For example, Mesa, Arizona receives an influx of “time switching” visitors from the Midwest—not to primarily see the Chicago Cubs play spring training games, but to escape the cold winter months. “Casual” spectators may be in town for business, family, or another activity and may happen to catch a game as entertainment. The game is then an entertainment substitute for spending that would have normally occurred within the region. In the case of these two examples, increased net revenue from nonlocal spending is not directly attributed to the sports complex. Owners and advocates can only claim

partial credit for the increased economic output created by visitors (Noll and Zimbalist, 1997, p. 68).

Incorrect Calculations

Economic impact reports typically fail to address inconclusive multipliers and leakage of money from the region. As noted in the sections above, several errors can occur when applying a multiplier to analyze a sports complex subsidy proposal. Leakage occurs when money winds up in another economy as it cycles through the local economy (Crompton, 1995). These issues can inflate claims for the economic benefits of a modernized sports complex.

The impact of a sporting complex and its revenue should be evaluated by the amount of funds and the number of times money cycles through a local economy. In the case of a sports complex, however, most of the money leaves the economy immediately. More than 50% of the revenue goes to player compensation and between 40–45% goes to the owners (Crompton, 1995). Players and owners pay over 40% in Federal income taxes alone—39.6% in personal income tax and an additional 1.45% in Medicare tax (Crompton, 1995). In addition, depending on where the team is located, players and owners may pay a state tax. Thus, in terms of money staying in the local government's tax stream, revenue that goes to players and owners is immediately siphoned away to Federal and state governments. The remaining portion of the money does not stay in the local economy, because a majority of the subsidy is reallocated to players and team management, who usually do not reside in the local economy in the offseason and who spend their money in another location (Baade and Dye, 1990; Bast, 1998).

More money leaves the community when community members spend money at a sports complex's concession stand operated by a company located outside a region (Noll and Zimbalist, 1997, p. 68; Asselin, 2006). Furthermore, if fans are buying food at the concessions, they will forego eating at locally owned restaurants. By contrast, owners of local businesses spend and

keep money within the community—unlike corporate concession stand operators that siphon money outside the tax boundary or players and management that do not reside in the community year around. In addition, since players and owners make significantly more money than the average local business owner, a higher portion of the community's money is redirected to Federal and state government taxes (Siegfried and Zimbalist, 2000). Thus, local governments lose out on revenue because money is being pulled out of the local economy before it can be circulated.

The common assertion made by sports complex subsidy advocates is that a community will experience economic growth such as job creation, income growth, and tax revenue expansion (Crompton, 1995). Building or renovating a new sports complex requires hiring construction workers and more staff to manage the expansion. Along with direct sports complex jobs, there is an assumption that a sports complex can increase expenditures in a local economy by attracting people from outside the area through interrelated sports businesses such as transportation, restaurants, retailers, and hotels. The thought is that additional spending generated from a sports complex creates opportunities to expand a local government's revenue by imposing complex taxes such as ticket, concession, merchandise sales, broadcasting contracts, increasing local sales or property taxes (Noll and Zimbalist, 1997, p. 8), and attracting new businesses and people (Rosentraub, 2010, p. 4). However, the research does not consistently bear these assumptions out.

In fact, academic research consistently finds that economic impact reports overstate benefits and minimize or even omit the costs associated with constructing a sports complex. The figures reported in an economic impact report are often only the gross job count and they are not given in the context of the local job market. Besides, the additional jobs created are low-wage and seasonal service jobs that ultimately lower the median income value for the region (Chapin, 2002). Baade (1996) concludes that the type of jobs needed by a sports complex could even promote a concentration of an "unskilled and seasonal labor" workforce. Siegfried and Zimbalist

(2000) support this idea, finding that a majority of sports complex jobs are part-time, low paying day-of-game jobs. Baade and Sanderson (1997, p. 93) find that local teams create less than 1,000 local jobs because additional jobs are only counted in relation to net spending increases. Baade and Sanderson (1997, p. 101) specifically examined the allocation of $240 million by the Arizona state legislature in 1990 for the purpose of gaining 340 full-time jobs during the stadium's operation phase. The two researchers concluded that Arizona paid approximately $705,800 for each job created.

Sports complexes do not actually generate any additional employment opportunities so much as they redirect employment away from other sectors. The high paying jobs that stem from sports complex construction are primarily between the team's management and players or in temporary construction jobs—and if a nonlocal construction crew is used, it means that there is further leakage of money from the local economy. In a study by Coates and Humphreys (2001), the two researchers measured the economic impact that sports strikes had on a cities level of income-per-capita through a linear regression model. After studying five NFL and MLB work stoppages over a period of time, the researchers determined that real income per capita did not decrease in metropolitan areas during the strikes. Baade and Sanderson (1997, p. 97) came to the same conclusion, citing that Hollywood enjoyed its best September ever during the MLB players' strike in 1994.

Budgetary Impact

From 1990 to 2011, governments subsidized 54% of the total cost to construct sports complexes across the nation (see Table 2.2). Publicly subsidized sports complexes decrease government's spending power because of a combination of agreements that are not advantageous to the government and complex liabilities. Due to poor negotiations, localities often enter into

unfavorable leasing terms with a team, and they often accept additional costs such as financing eminent domain actions, environmental mitigation, infrastructure costs, construction overrun, operation, and maintenance (Chapin, 2002). In some cases, owners have also been allowed to siphon revenue streams such as advertising, naming rights, or parking and concession revenue away from local government. Noll and Zimbalist (1997, p. 499) also find that some leases allow teams to break their lease agreement if the locality does not keep the sports complex in "state-of-the-art conditions" or if attendance dips below a certain threshold. When a team takes an opportunity to seek better subsidies before the debt on the current location paid in full, the local government is burdened with all the liability.

Table 2.2. Total Cost and Subsidization of Sports Complexes: 1990 to 2011 (Baade and Matheson, 2011).

League	**Percentage of Complexes Subsidized in the League**	**Combined Total Cost**	**Total Public Subsidy**	**Percentage Subsidized by Public**
NFL	91%	10,537,000,000	6,380,000,000	61%
MLB	87%	9,393,000,000	5,511,000,000	59%
MLS	94%	2,340,000,000	1,249,000,000	53%
NBA	90%	6,115,000,000	3,126,000,000	51%
NHL	87%	5,451,000,000	1,974,000,000	36%
Total	89%	33,836,000,000	18,240,000,000	54%

As highlighted in Chapter 1, the Federal Tax Reform Act of 1986 allowed localities to borrow money from the Federal government and use it to subsidize sports complexes. The act limits the repayment from private funds of these tax-exempt bonds to 10% a year (Zimmerman, 1997, p. 137). This clause was originally meant to prevent the misuse of tax-exempt bonds. Instead, the clause led to further favorable sports complex financing for owners. This stipulation was interpreted to mean that any revenue generated from a sports complex such as rent, concession or naming rights, or private seat license would be considered a part of the 10% private

financing limit (Noll and Zimbalist, 1997, p. 18). As a result, local governments took on the roughly 90% liability for any given stadium financing. Teams used this clause to prevent local governments from receiving rental payments and prevented governments from receiving a share of the sports complex generated revenue where Federal tax-exempt bonds are used. Local governments were stuck with depreciating complexes, while owners and their team pushed their revenue higher. In short, the Federal Tax Reform Act of 1986 led to the subsidization of liabilities and allowed the privatization of all profits.

Since the financial burden fell so heavily on the government, many communities faced budgetary shortfalls (Siegfried and Zimbalist, 2000). Economic impact reports often exclude cost factors such as debt service and cost overruns, complex maintenance and operation, opportunity costs, and financial breaks offered to a team. Further, the city and its taxpayers sometimes engaged in high-risk investments, which resulted in a poor credit rating and lead to a higher loan interest rate in the future due to the loan amount (Bast, 1998). Government had no recourse but to address budgetary shortfalls through short-term solutions such as decreasing government services, selling assets, or increasing taxes—stunting local economic growth. Worse, these short-term solutions do not address the long-run budgetary shortfalls. As mentioned in Chapter 1, Cincinnati decided to sell a local hospital in order to pay off its debt obligations because officials decided to finance the construction of two stadiums in order to retain its current sports teams.

Hidden Costs of Subsidizing Sports Complexes

Advocates and consultants are quick to acknowledge indirect benefits, but they may not acknowledge indirect costs in their reports (Jensen, 2000). Public officials, however, should seek alternative evaluation methods of all benefits and costs. They must consider indirect costs such as

construction, infrastructure improvements, and opportunity costs in order to better calculate the economic impact that a sports complex may present to a community.

Construction Costs

Major infrastructure improvements such as roads, parking structures, or water and sewer lines can add some $50–$100 million in indirect sports complex costs (Chapin, 2002). Other hidden costs to consider are eminent domain to acquire land, residential or business relocation expenses, property tax abatement or reduction, and waste removal or environmental mitigation costs (Long, 2005). Chapin (2002) found that unaccounted indirect costs led to cost overruns and required government to contribute millions of dollars more to build the sports complex. By studying a relatively small sample size through an accrued net present value analysis, Baim (1994, p. 169) discovered that the average construction of sports complexes were built 73% over projected costs.

Opportunity Costs

Bast (1998) concludes that the scarcity of public resources should result in public officials comparing the next highest valued alternative against subsidizing a sports complex. In his view, a sports complex investment is only beneficial if it can produce more value than the alternative possibility. For example, he asserts that government could obtain more value by providing more social services or by improving infrastructure. He subtracts the value of a hypothetical alternative project from the sports complex benefit value to determine the net benefit gained (Bast, 1998). Other academic researchers find sports complexes commonly result in further unaccounted costs to a community.

From a taxpayer standpoint, there is an additional opportunity cost because sports complexes are typically funded through a regressive tax such as increasing the sales tax, creating

a sin tax, or issuing municipal bonds. A regressive tax slows down economic growth because individuals are left with less disposable income. Furthermore, associated costs with ensuring the locality is tax compliant such as collecting the tax and enforcing the tax code should also be considered (Noll and Zimbalist, 1997, p. 60).

Regressive Tax Implications

Regressive tax certainly creates a transfer of income: local households have less disposable income while the players and management incomes increase. A household's income decreases because government redirects a portion of their income toward subsidizing a sports complex. Thus, this transfer of income results in a societal deadweight loss for households (Bast, 1998; Mills, 1996). It has been estimated that the "social cost of taxation exceeds tax collections by 25%" if an economy is "operating at full employment" (Noll and Zimbalist, 1997, p. 61). This societal loss counteracts the positive economic effects of a sports complex and degrades the community.

Net Impact is a Better Measurement

When consultants depict sports complexes as stimulants to a local economy, they frequently make selective estimates and fail to state hidden costs (Chapin, 2002; Crompton, 2006). Academic research finds that sports complexes actually have a minimal benefit to a local economy. A sports complex subsidy takes money away from the community and redirects it to players and owners (Bast, 1998). When combined with incorrect multipliers and unaccounted costs, it is no surprise that the economic benefits promised by a consultant never materialize for a community. Naturally, subsidization for a sports complex is economically advantageous for an owner because his team's value rises while the public finances the cost. Surprisingly, teams are

still able to counter the inquiries into true costs by carefully cultivating the enthusiasm for sports—and by vague promises of "intangible benefits."

Qualitative Social Benefits

Advocates argue that a sports team and its complex will improve the quality of life for a community by providing intangible benefits such as increased community visibility and image, fostered development, and psychic income (Howard and Crompton, 1995, p. 36; Crompton, 2004). These benefits are thought to be key factors in attracting nonlocal community members such as tourists, businesses, or new residents. Academic researchers acknowledge that a team can theoretically generate externalities for a community (Baade and Dye, 1990). An externality is the indirect effect on others caused by invested parties. In order to quantify the value of these intangible benefits, academic researchers have begun using the contingent valuation method to determine a value.

Community Visibility and Image

Advocates further justify subsidizing a sports complex to the public by claiming that a community gains publicity through local, national, and international media outlets such as the newspaper, radio, television, and the Internet. The community's exposure increases when a local team makes the playoffs and increases further if they make it to the league championship. Supporters believe that this creates prestige for a locality and induces people and corporations to spend or invest in the local economy (Crompton, 2004).

Unfortunately, this assertion lacks empirical evidence and is inconclusive (Compton, 2004; Siegfried and Zimbalist, 2000). Crompton (2004) and Bast (1998) conclude that sports and media exposure are, at most, a small fraction of what is required to attract people and businesses to a region. Florida (2003), believes that the "creative class"—highly skilled and innovative

workers such as working professionals, leaders, writers, poets, artists, etc.—are attracted to urban areas based on the numerous amounts of attractions— restaurants, hotels, specialty retailers, theaters, museums, parks, trails, and other forms of entertainment—that a city can offer. Florida, however, finds that sports complexes are "irrelevant" and "unattractive" to the creative class. Instead of solely relying on sports complexes to revitalize an area, the team and its complex is just a part of the mix. Rosentraub (2010, p. 41) finds that a combination of factors, such as a skilled or less expensive workforce, attractions, and incentives are more important to increasing population or businesses than the exposure a team brings to a community.

An enhanced community image created solely by a team and its complex is unlikely for larger cities, but it has seemed to help some smaller cities. In order to attract teams, smaller cities must offer more subsidies than larger cities because there are less lucrative corporate deals available (Fehr, personal communication, March 4, 2013). By securing a team, smaller cities validate their prestige in comparison to larger cities. Oakland, St. Louis, Kansas City, and Cincinnati are smaller than the top 25 most populated cities in the nation, yet the presence of a sports team gives the perception they are elite cities (Crompton, 2004).

At times, can symbolize the identity of the community to the nation, break down barriers within a community, or serve as iconic landmarks. The Pittsburg Steelers embody the community's rich steel and blue-collar history. In the 1970s, the Steelers four defensive lineman were known as the Steel Curtain because their blue-collar mentality resembled Pittsburgh's workforce. The name resonated with avid NFL fans and their legacy lives on today. The Green Bay Packers are a unique organization; they are the only non-profit organization in the NFL and represent the community's historic packing industry. Crompton (2004) refers to journalist, Roger Thurow, who viewed the NFL's Jacksonville Jaguars inaugural year as having the ability to unite all ethnicities in the community and move the city beyond its Old Southern roots.

Sports complexes can also serve as an iconic landmark and tourist attraction. Tourists often travel to destinations to see iconic landmarks such as the Eiffel Tower in Paris, the Coliseum in Rome, or the Great Wall of China. Advocates claim that legendary complexes such as Wrigley Field in Chicago, Fenway Park in Boston, or Lambeau Field in Green Bay attract tourists to the community. Modern sports complexes such as AT&T Park in San Francisco, Petco Park in San Diego, or New Meadowlands in New Jersey lead the new waves of modernized sports complexes. Although these benefits are possible, academic researchers still assert that there is a need to place a value on these intangible benefits in order to understand them in context (Noll and Zimbalist, 1997, p. 58; Owen, 2003; Crompton, 2004).

Fostered Development

Due to decades of people vacating the urban core for the suburbs, advocates claim that cities must offer a critical mass of complementary attractors to bring people back (Crompton, 2004). Academic researchers agree and say that if done properly, some sports complex developments can be an integral part of revitalizing an urban core. In some instances, cities have used sports complexes as the primary anchor to revitalize the downtown area, infusing a vibrant culture by providing attractors that a skilled workforce may seek. The creation of an attractive culture involving a sports complex requires a clear vision by the city and the investment of the public, public, and private sectors (Rosentraub, 2010, p. 252). This theory is based on the belief that commercial and residential developments will be generated by the presence of a sports complex, thereby revitalizing the area.

Rosentraub (1997) claims new businesses relocate to an area for a combination of reasons such as tax breaks, workforce, attractors, and schools, as opposed to a sports complex alone. The goal of revitalizing a city's downtown area stands to be more successful if a sports complex

becomes a portion of an overall revitalization plan. Rosentraub (2010, p. 254) highlights cities such as Indianapolis and Los Angeles, incorporated sports complexes as a part of a wider revitalization plan.

Indianapolis and its Sports complex Focus

Indianapolis attempted to reduce its suburbanization by using a combination of tourism, culture, and entertainment to revitalize its urban core. The stated goal was to become the "capital of amateur sports" (Rosentraub, 2010). The vision was carried out by with strong leadership and partnering with private companies. Baade (1996) and Rosentraub (1997, p. 187) wrote that the city also diversified its strategy by investing in government and the local universities (Indiana and Purdue). The private sector invested in the downtown area by building new office centers and later constructing a 34-story Marriott Hotel for $377 million (Rosentraub, 1997, p. 187; Rosentraub, 2010, p. 96). In order to sustain the sports tourism industry in Indianapolis, the support of residents and business owners was necessary (Hritz and Ross, 2010) to avoid protests, loss of support from officials, and lack of promotion for the local tourism industry (Pearce, 1998). Rosentraub (2010, p. 36) believes that community support leads to the creation of an attractive culture with a wide range of features that will permanently attract new people and businesses, resulting in an increase in highly skilled workers.

Downtown LA's Revitalization Success

Before the Staples Center in Los Angeles (LA) opened in 1999, the city struggled with gangs, drugs, and blighted buildings in its downtown area (Greenberg and Hughes Jr., 2011). The city built the LA Convention Center in 1971 as its first step to revitalizing the area. However, the Center proved to be costly for the city and made the public leery of further financing. Los

Angeles's image declined after the Rodney King beating in 1991 (Rosentraub, 2010, p. 136). In time, however, the city developed a vision for the area and sought private investors.

In order to overcome city council and voter hesitation to allocate funding to build the Staples Center, the city formed a partnership with the Anschutz Entertainment Group (AEG). The city developed a balanced revitalization vision that focused on a combination of commercial, retail, and residential development. The city was able to get AEG and local team owners to invest and construct an arena without the use of taxpayer money by allowing them to build two advertisement towers and by offering other incentives (Rosentraub, 2010, p. 140). The city assembled land through eminent domain, waived development fees, and granted a four-year $16 million interest-free loan in order to promote development in downtown (Rosentraub, 2010, p. 149). After completing the first of three phases of the plan by constructing the Staple Center, further incentives encouraged public-private partnerships to invest in the area. The result was the creation of LA Live by AEG and other private partnering companies.

LA Live successfully established an entertainment culture, bringing visitors and residents back to the downtown area. Ten years after the Staples Center opened, an additional $5 billion has been infused into a four-block radius and the number of residents has increased from approximately 5,000 to 50,000 in the downtown region (Greenberg and Hughes Jr., 2011). Low-income housing was included to reduce gentrification and displacement of low-income households. The city established a community benefits agreement, allocating $1 million to create or improve park or recreational complexes, giving job priority to individuals within a three-mile radius, and establishing an advisory committee to help implement and enforce the agreement (Greenberg and Hughes Jr., 2011). The city also stipulated an advertisement control clause to prevent tobacco and alcohol companies from advertising on the towers. This ensured that the city was able to control and project a positive image to visitors through the redevelopment efforts.

Both the Indianapolis and Los Angeles projects have remained financially viable, but Rosentraub (2010, p. 260) notes that these types of investments involve many risks and have not worked for other cities. The recession hurt these other areas, and no government entity was immune to the recession. Rosentraub (2010, p. 261) claims that governments are more susceptible to risks when investing in the urban core like this, but the combination of public and private investment, careful control of image and safety, involvement of many different sectors of the city, and ongoing management can put these developments into a far more stable financial footing.

Psychic Income

Crompton (2004) describes psychic income as the psychological and emotional benefits that residents receive such as happiness or pride. Professional sports are viewed as a "magical elixir" that can create externality benefits for individuals, while nourishing the bonds of a community and creating solidarity (Lipsky, 1981, p. 5). Crompton (2004) finds that professional sports bring people together in a way that overlooks race, gender, or economic standing. Individuals "identify more closely with a broader civic framework in the spatially, socially and politically fragmented metropolis" Danielson (1997, p. 9).

Individuals who are not invested in a team can also receive externality benefits even though they may not attend games or buy merchandise. They may still follow a team through the media or engage in conversations about the team. Academic researchers acknowledge teams create externalities for the community (Noll and Zimbalist, 1997, p. 56). However, the question remains for public officials, do positive externalities outweigh the financial burden of financing a sports complex?

Quantifying Assertions

Social benefits are assessed through the contingent valuation method, the preferred methodology that assigns values for soft benefits through a survey of randomly selected community members and fans. The survey obtains separate use and nonuse values and adds both of them to obtain a final social benefit value. Use value measures those willing to attend games or buy team merchandise. Use value is important because it signals how much public officials can expect a fan to offset construction costs. For example, if a fan cites $3,000 as what he or she would be theoretically willing to contribute to construct a sports complex, then the team or the city can use this to gauge how much a private seat license might be worth to such a fan. Nonuse value asks those who will not be directly attending games or buying merchandise how much of a financial value they believe the team provides to the community. Nonuse value can then guide possible sales tax, bond measure, or property tax changes that will help support a sports complex.

An assessment of the use and nonuse values derived should be calculated over the life of the complex. Thus, the social value indicates how much a fan or community is willing to pay in private seat licensing, bonds, ballot measures, or tax increases for indirect benefits. By reconciling the use and nonuse values, the survey-takers derive a per capita valuation for consideration. It is important for public officials to evaluate the social valuation and the economic valuation in order to compare against the requested subsidy amount.

Two contingent valuation method studies proved that perceived intangible benefits do not always outweigh the subsidization amount given to sports teams. Johnson and Whitehead (2000) and Johnson, Whitehead, and Groothuis (2001) applied the contingent valuation method to two case studies: 1) Lexington, Kentucky, and 2) Pittsburgh, Pennsylvania.

Qualitative Valuation on Lexington, Kentucky

Johnson and Whitehead (2000) analyzed Lexington, Kentucky's quality of life benefit by studying the community's proposal to build a new basketball arena in 1997. Based on the responses from 230 out of 450 households from Fayette County, Kentuckians participated in a survey to determine the community's willingness to fund a new basketball arena for the University of Kentucky's basketball team. Johnson and Whitehead (2000) discovered that the county's maximum willingness to subsidize the arena's renovation totaled $6.36 per household—$1.92 nonuse value and $4.44 use value—with a 95% chance that the calculations were correct. Since there are 95,958 households in the county, the assigned value for willingness to pay was $610,293 per year, which equates to $7.3 million over a forty-year period with the assumption of an 8% discount rate. A 40-year period was used because collegiate sports complexes have a longer life span than professional sports complexes. The cost to build a new arena was estimated at $100 million. Community members clearly valued a new arena far less than the requested subsidization amount. As of February 2012, the construction of building a new arena was abandoned and local officials are now advocating that the current arena, Rupp Arena, be renovated. Local officials envision the renovated arena will serve as the centerpiece of a transformation effort to revitalize the city's Arena, Arts, and Entertainment District (Fortune, 2012).

Qualitative Valuation on Pittsburg, Pennsylvania

Johnson, Groothuis, and Whitehead (2001) conducted a valuation of how the Pittsburg Penguins affected the quality of life in the Pittsburg area. The researchers contacted 1022 households and received 226 surveys. When tabulating the data, the researchers discovered that those surveyed were willing to pay $4.08 per household for nonuse value and $1.49 for use value

with a statistical significance at the 1% level. When calculating the total willingness to pay among 947,500 households, an aggressive benefit calculation totaled $5.3 million a year and at an 8% discount value, the subsidy equated to $66 million. At the time of the study, the average cost of subsidizing an arena ranged from $180 to $220 million. Pittsburgh's willingness to subsidize a sports complex therefore was far below the average amount being provided to teams across the nation.

Community Valuation Differs

Johnson and Whitehead (2000) showed that the nonuse value was far lower than the use value. This means that users who attend games obtain benefits far more greater than people who do not. Johnson, Groothuis, and Whitehead's (2001) study on Pittsburgh proved that the whole community valued the team because nonuse value exceeded use value. However, Pittsburgh's combined value for a new arena was still less than the average subsidy amount being provided to other NHL teams. Aside from externalities created by a team, private investors should only be interested in supplying capital to build a sports complex if the use value exceeds the total (Johnson and Whitehead, 2001). The results of these two studies show the externality value of a sports team differs depending on the community, and that it is essential to compare these totals to the amount of money being invested—only then can we declare a project to be worthwhile.

Politics of Subsidizing Sports Complexes

The assertion that sports teams and sports complexes improve the quality of life is inconclusive and differs from each community. One can find as many passionate supporters as detractors. As it happens, the ways that sports teams operate leaves room for doubt. As explained in Chapter 1, sports teams operate in a monopolistic environment and can leverage funding from communities because the demand for professional sports teams exceeds the current supply. The

professional sports market is a private industry that capitalizes on fans and other corporations that pay for exclusive rights ranging from merchandise to ticket sales, broadcasting, advertising, and vendor concession privileges. Even though academic research finds costs to be consistently high and while cities such as San Francisco, Cleveland, Minnesota, and Miami have consistently rejected referendums, other teams still receive subsidies for sports complexes (Baade and Dye, 1990). Bast (1998) writes that political analyst Scott Rasmussen conducted a national survey in 1998 and found that 64% of Americans did not want tax dollars being used to construct a sports complex. The sports industry is uniquely able to capitalize on the government and the public. Public officials may have a personal agenda (Chapin, 2002; Crompton, 2006) or leaders and organizations may unite to form an advocate coalition that can influence local government politics (Pelissero, Henschen, and Sidlow, 1991; Bast, 1998; Delaney and Eckstein, 2007). The politics surrounding a sports complex is complicated and filled with conflicting voices.

Political Motives

Public officials may have personal reasons for subsidizing a sports complex. They may want to entertain donors in a private suite at a game or gain additional attention from the community such as throwing out the first pitch (Bast, 1998), thus, placing their own interests ahead of the public and losing sight that taxpayer money is being used to subsidize team owners. Officials also gain a tangible accomplishment that can be used to establish a legacy or to show their constituency that the community has progressed during their term in office. Chapin (2002) recounts two public officials that used high profile sports complexes to advance their political careers. William Donald Schaeffer became Governor of Maryland after redeveloping downtown Baltimore with two new complexes. George Voinovich influence on Cleveland's Gateway

Project, which also included two sports complexes, helped him gain public fame that led to two terms as Governor of Ohio and consecutive terms as a U.S. Senator.

Pressure from Advocate Coalitions

Officials often receive further pressure from local advocate coalitions, usually composed of vocal constituents, lobbyist, unionist, developers, and the media. Delany and Eckstein (2007) define advocate coalitions as institutional and ideological alliances between stakeholders who tend to portray pro-corporation beliefs. Fans obviously represent threatened loss of votes. Lobbyists are paid to promote sports complexes. Union leaders want more jobs for their workers. The media tend to give more coverage to advocates than opponents.

Such advocate coalitions are formable adversaries to those who do not want to subsidize a sports complex. Local advocate coalitions tend to better organized and funded. Those who reject using public money to subsidize a sports complex tend to be unorganized or a “ragtag band of libertarians or anti-tax activist” (Bast, 1998). This anti-subsidy coalition may be lucky enough to put the subsidy decision on a local ballot and win, but shortly afterward, these supporters disperse and public officials are again dealing with the local advocate coalitions (Keating, 1999). The local advocate coalition tends to remain united and is able to continue to press the issue and eventually gain a subsidy over time (Bast, 1998). For example, the Seattle Mariners secured $240 million to construct a new stadium. There was an imbalance of resources between the local advocate coalition and the anti-subsidy parties. The local advocate coalition spent $1.5 million as compared to anti-subsidy opponents who spent $50,000 (Bast, 1998). During initiatives to build new football stadiums in San Francisco and Seattle in 1997, advocates outspent opponents 25 to 1 in San Francisco and advocates outspent opponents 80 to 1 in Seattle Noll and Zimbalist (1997, p. 85).

Delany and Eckstein (2007) reviewed nine different cities and compared the amount of subsidy to the strength of the local advocate coalition. The two researchers found that cities with strong advocate coalitions are likely to receive financial subsidies because they can suppress their opposition over time. There researched was confirmed by interviewing local constituents and involved stakeholders, reviewing economic reports, and analyzed the media's coverage.

They further concluded that advocate coalitions favor subsidizing sports complexes because of personal interest such as trying to retain or improve the workforce talent. They believe that if a city does not have or loses a team, it will be detrimental to the workforce and business. These coalitions are successful in suppressing the outcry from their opponents for better infrastructure, schools, or public safety. Delany and Eckstein (2007) concluded that Cincinnati, Pittsburgh, and Cleveland have a "corporate-centric" community that associates economic growth with the development of a sports team and its complex. Minneapolis, Philadelphia, and Hartford were able to minimize the subsidy for a sports complex because the local advocate coalitions in these cities were weak.

Relocation Power

The existing state of the sports industry and ongoing apprehension of team relocation make it advantageous for teams to continue to pursue more sports complex projects. Yet, North American team relocation is rare. All teams from all major sports leagues have averaged one relocation per year for the past 40 years (Szymanski, 2010, p. 82). Moreover, large market areas do not have to offer as much subsidy when compared to small market cities. Yet, favorable deals for teams at the expense of the public continue, and people keep ignoring the financial realities of sports complex proposals. Many continue to be counter to the best financial interest of a city (Delany and Eckstein, 2007).

Gaps in Research

Based on the literature review, it is clear that plenty of research is being conducted on the impact of subsidizing a sports complex. Researchers have been studying this topic for many decades. Yet, there is still a need for more information. More research should be conducted regarding a team's impact on the local economy and community. There is a broad understanding that money leaks out of the local economy through players, management, and vendors, but the ability to estimate this amount of leakage could be more accurately quantified. Further, a team's direct and indirect impact on a community needs to be analyzed. Players and teams often conduct charitable events in the community such as renovating a youth field or feeding the homeless. How should we value these programs in terms of the net social value of sports in a community? Is this type of outreach different from other corporation's charitable work? It would be interesting to see if charitable contribution acts also strengthen a team tie to the community; therefore, further enhancing the negotiating powers of owners. Further, there are objections to the use of public funds, then why do many hidden costs of subsidizing a sports complex go unnoticed by the public? These economic and social impacts and political constraints of the team have not yet been studied, but would be important to include when calculating the net benefits and costs of a team and sports complex.

Conclusion

The claim that a sports complex produces economic benefits for a locality tends to go unexamined and rarely comes to fruition. Academic research consistently finds that a locality can even suffer economic losses when subsidizing a sports complex. Furthermore, the contingent valuation method has shown that the public often values the perceived invaluable intangible benefits cited by advocates at an amount lower than the amount of the proposed subsidy. Existing

conditions such as the monopolistic market, personal interest of public officials and fans, and strong advocate coalitions consisting of interests ranging from unions to lobbyists, provide an explanation of why subsidization continues.

There is only one situation where researchers have determined that a sports complex can produce economic and social benefits. That is when it is a part of a grand vision combined with attractors and private investments. However, the locality still assumes a great deal of financial risk. The next chapter will focus on explaining move about the methodology used to analyze proposed sports complexes.

CHAPTER 3

METHODOLOGY

When considering whether to subsidize a sports complex, three areas must be closely examined: economics (defined boundary, calculations, and gross vs. net cost-benefit), societal cost-benefits (nonuse and use value, revitalization, and environment), and politics (local advocate coalition and opportunity costs).

This chapter begins by listing critical factors that public officials should use to comprehensively analyze an economic impact report and account for economic costs that are frequently overlooked. The following section then highlights important factors to consider when measuring social benefits and revitalizing an area. The chapter concludes with political factors that should be considered when evaluating a sports complex proposal such as the strength of a local advocate coalition and opportunity costs. The formulated checklist will be used to analyze the Sacramento Railyard proposal in Chapter 4.

Understanding the Costs and Benefits of Subsidizing Sports Complexes

Public officials should develop an overall understanding of the economic and social benefits and costs that a sports complex can produce for a community. Advocates often offer an economic impact report that exaggerates economic benefits. Public officials often rely on such a report without any further investigation. An economic impact report can measure the direct local economic benefits, but because the methodology is based on assumptions, the findings may be inaccurate—leading to skewed and exaggerated findings. In addition, an economic impact report does not measure indirect benefits such as civic pride, symbolism, and happiness that a team may bring to a community. Therefore, a comprehensive evaluation by public officials should include

looking beyond an economic impact report. If necessary, additional consultation, reports, and studies such as the contingent valuation method should be commissioned. By gaining a comprehensive understanding of the full impact of a proposal, public officials can ensure that subsidizing a sports complex will be viable for the community.

Economics, societal cost-benefits, and politics must all be considered before providing a subsidy to a sports team. This is a matter of thorough investigation, and public officials cannot rely upon the seemingly unquestioned eagerness of many to build a sports complex. A review of numerous sports complex subsidy journal articles shows that the media frequently supported the subsidy of a sports complex in the beginning, when excitement was greatest, but decried the bleak financial outcomes later (Turner and Marichal, 1998; Van Riper, 2010; Voisin, 2012; Matier and Ross, 2012; Rivera and Heath, 2005; Belson, 2010; Crumpacker, 2012; Kuriloff and Preston, 2012). However, long-term studies revealed that many cities struggled to pay back the loans used for subsidization (Baim, 1994; Crompton, 2004; Long, 2012). In the previous chapter, a systematic review of academic literature revealed why some cities experienced such problems and showed the factors that must be used for assessment. Only factors found in multiple sources were used and arranged into a checklist.

The first step to critically reviewing an economic impact report and factoring in all associated costs is to conduct a cost-benefit analysis. If the data is incomplete, officials should require further reports or studies. The factors below will detail what information is required.

The Economic Checklist

Common economic factors that need to be reviewed are:

☐ *Defined tax base boundary:* The report's projected costs and benefits must be stated strictly for the tax base that is providing the subsidy (Siegfried and Zimbalist, 2000). The inclusion of larger,

regional benefits is misleading because only a portion of the income—even if accurately stated—will actually accrue to the community paying for the sports complex (Howard and Crompton, p. 60, 1995; Crompton, 1995).

☐ *Accurate estimate of nonlocal fans:* Typically, 5–25% of attendees for a game are nonlocal fans (Siegfried and Zimbalist, 2000). The only new money generated for a community due to a sports complex occurs when visitors from outside the defined tax boundary spend money (or local residents defer traveling outside the boundary solely because of the team) (Baade and Dye, 1990; Chapin, 2002). All other money spent by residents within the tax boundary on other means is still part of the defined tax base and therefore should not be considered money added to the system.

☐ *Primary data based on survey of local area used:* Primary data—consisting of the paying tax base, fans, linked industries, and the team—should be gathered over secondary data (generic data that was not specifically compiled for the study). Although less time-consuming and less costly to obtain, such data cannot truly predict the impact that a sports complex has on a community. Primary data such as surveys of patrons attending a sporting event, for example, is a far better way to gauge the people who will be using the sports complex (Mills, 1996).

☐ *Life of sports complex accurately estimated:* The recommended maximum is 30 years—but is typically less for a North American professional sports complex (Johnson, Groothuis, and Whitehead, 2001; Long, 2005; Noll and Zimbalist, 1997; Santo, 2007; Siegfried and Zimbalist, 2000). In order to calculate the true long-term costs and benefits of a complex and to accurately amortize costs, economic impact reports should use a realistic projected life of a sports complex. It does no good to amortize costs over 30 years when few sports complexes actually last that long without being renovated. The recommended number of years to use for a sports complex is around 20 years, a period before any major renovation or maintenance effort is pursued.

☐ *Long-term cost and benefit calculations should vary:* The costs and benefits should be calculated over the life of the sports complex. A new sports complex will attract fans for about 5–10 years before the "novelty effect" wears off (Baade and Sanderson, p. 104, 1997). Some consideration must be made to account for possible loss of interest or a decline in team success. Unmitigated success over 30 years is not a prudent assumption. A discount rate—considers the rate of return from the best alternative investment and the social preference of forgoing the future for the present (Fuguitt and Wilcox, 1999, p. 98)—and sensitivity rate that offsets approximation errors and considers opposition's beliefs as an offset for subjectivity should be applied to any calculations when making long-term projections. The discount rate applied should be the real rate of interest at the present time—excluding inflation and future cost and benefits—and measured in net present value.

☐ *Cost-benefit analysis stated in terms of net rather than gross proceeds:* Net cost and benefits should be used over gross benefit figures to assess the actual value that will accrue to a community for the clear reason that they will more accurately predict the final totals (Crompton, 1995; Baade and Sanderson, p. 104, 1997; Bast, 1998; Crompton 2006).

☐ *Employment calculations assessed during the life of the sports complex:* If long-term figures are predicated on employment, then figures for permanent jobs must be included. The number of new jobs associated with a team will vary depending on the life cycle stage of the complex. It is important to distinguish if employment growth is temporary-seasonal, low wage, or permanent, high wage jobs (Chapin, 2002).

- Initially, jobs and personal income tied to a complex will be at its highest during the construction phase. However, after the complex is completed, construction workers are no longer needed.

- The net job growth for secondary industries should be carefully calculated. Since sports are a substitution for other entertainment, employment in other entertainment industries may actually decline. This is because a team takes money away from other entertainment industries. Thus, the displacement of employees occurs because employees are shifted from one entertainment option to another (Crompton, 2006). Shifted entertainment employees from another business must be subtracted from the direct employment gains of a sports complex. Baade and Sanderson (1997, p. 97) found that Hollywood enjoyed its best September ever during the MLB players' strike in 1994.
- It is important to divide the total cost to construct a sports complex by the number of new net jobs. For example, as cited in Chapter 2, Arizona allocated $240 million in subsidies to construct a new ballpark and gained 340 full-time jobs to operate the complex in 1990. This totals a value of $705,800 per job when $240 million is divided by 340 total new operational jobs. In comparison, the Local Public Works Capital Development and Investment Act of 1976 and the Local Public Works Capital Employment Act of 1977 created jobs at a cost of $74,000, when adjusting for inflation in 1990 standards (Baade and Sanderson, p. 101, 1997). Arizona's stadium job creation effort was substantially higher than the 1970s job creation acts.
- A comparison between a sports complex and a similar job creation effort such as an infrastructure project can be a way to assess the cost of creating job. If the value is deemed too high, then the amount of subsidy can be reduced or other arrangements made.

☐ *Calculation of the multiplier is accurate:* The multiplier is a coefficient that indicates the projected economic benefits of a sports complex. The coefficient is determined through input-

output tables and can vary depending on which software program is used. Since a multiplier can be subjective, a clear explanation of how it was derived is needed. The report must disclose the type of software assumptions made, how the data fits the specific boundary, and how the multiplier is applied.

- If a software program is used to generate figures, the assumptions of the programs should be disclosed to see if they completely fit the community (Mills, 1996).
- A multiplier should fit the specific boundary being analyzed. A standardized multiplier derived from other regions would be obviously inaccurate (Crompton, 1995; Howard and Crompton, p. 64, 1995; Mills, 1996; Siegfried and Zimbalist, 2000).
- *The multiplier can be calculated by one of two methods:* the incremental multiplier and the income multiplier. The incremental multiplier focuses on indirect and induced effects, measuring the strength of industrial linkage (Crompton, 1995). The income multiplier measures the direct impacts of an economy by measuring how much extra income money a community will receive from the infusion of new money (Howard and Crompton, p. 64, 1995). The income multiplier is the preferred way to measure how the standard of living will be altered over the incremental multiplier. Figure 3.1 compares the two multipliers.

Figure 3.1. Incremental and Income Multiplier Calculations (Howard and Crompton, p. 64, 1995).

Basic Assumptions

Visitor expenditure	$100
Direct Income created	$25
Direct Income: the amount of income that is directly taken in by workers associated with the team.	
Secondary (Indirect + Induced) Income created	$20
Indirect income: the amount of income that is indirectly taken in by workers not affiliated with the team because of the continuous circulation a spectator's money within a defined boundary.	
Induced income: the portion of a nonaffiliated workers income that is attributed because patrons spend money on the good or service because of the team, e.g., watching the game at a sport bar.	
Total income created	$45

Formulas

Incremental Income Multiplier	= (Direct Income + Secondary Income)/Direct Income = ($25 + $20)/$25 = 1.8
Income Multiplier	= (Direct + Secondary Income)/Visitor Expenditure = ($45)/100 = 0.45

Description

The income multiplier is the more realistic calculation because if a visitor spends $100, only $45 is income to households in the community because $55 goes to other expenditures, e.g., restocking supplies and goods, taxes, or money spent outside the defined boundary.

☐ *Multiplier coefficient is within 0.4 and 1.0:* Typically, the multiplier can range from 0.4 and 1.0 according to academic researchers (Crompton, 1995; Mills, 1996). This means for every dollar spent directly on the team and sports complex, $0.40 to $1.00 is returned to the community. Academic researchers have stated that the income multiplier is superior to measuring the economic impact of a community (Crompton, 1995; Howard and Crompton, p. 64, 1995; Siegfried and Zimbalist, 2000). When applying an incremental multiplier, it means for every dollar spent $1.80 is returned to the economy—this has proven to be unrealistic (Mills, 1996; Crompton 1995; Howard and Crompton, 1995).

- A multiplier above 1.0 is abnormal. Entertainment substitution, leakage, associated costs, and the defined boundary should be ruled out as factors when calculating the multiplier (Mills, 1996; Crompton, 1995; Howard and Crompton, 1995).

☐ *Personal income growth stated instead of sales growth:* Most revenue goes to corporate vendors, the team, players, and owners; therefore, most of the revenue generated by a sports complex leaves the community (Siegfried and Zimbalist, 2000). Thus, sales growth is not an accurate assessment of the direct economic benefits that a sports complex is anticipated to provide for a community. Total personal income growth in a community is the preferred way to measure the actual economic growth or reduction and is determined by using the income multiplier (Noll and Zimbalist, p. 56, 1997). The projected income growth should be compared to the current income growth of the area to determine how much of an impact a sports complex will truly have on a community.

☐ *Operation and maintenance cost factored into the long-run cost calculations:* It is important to calculate these expenses throughout a realistic life expectancy of the complex such as 20 years.

☐ *Bonds, loans, and interest factored into the long-run cost calculations:* Interest on any bond or loan must be factored into the total cost of the complex. The length of repayment should not exceed the expected life of the sports complex.

☐ *Benefits and costs are fairly shared between all parties involved:* e.g., length of the lease agreement, cost, maintenance, revenues, and financial consequences should be shared among all parties involved in a transparent fashion. The public typically pays 78% for a sports complex when after commonly overlooked expenses are accounted for (Long, 2012).

- The length of the lease agreement with the team to rent the complex should match the complex's life expectancy. In addition, the terms and costs of a team breaking a lease to a city should be identified.
- Determine how cost, maintenance, and revenues are shared between the local government and team. If the community is solely responsible for costs and receive

minimal revenues, then public officials may face long-term financial issues such as in the cases of Cincinnati, Tampa Bay, and Montreal.

- Understand potential financial and social consequences.
    - Federal tax-exempt bonds only allow a maximum of 10% privatized funds to be used to pay back the loan, forcing the government to assume more liability for these types of loans.
    - If there are problems with a loan or bond, the local government's credit rating may be affected and make it harder to borrow money in the future.

☐ *All municipal costs accounted for:* e.g., Infrastructure improvements, environmental approval, and land costs must all be included. Land and infrastructure expenses alone typically add an additional 10–20% to the originally estimated cost (Long, p. 18, 2012).

- Cost of infrastructure improvements should include such needs as transportation, sewage, water, and the cost of materials.
- Cost to get approval on environmental documents should be included. Before construction can begin, an agency or the public can challenge the project through the environmental process. Safety, health, endangered species, traffic, noise, lighting, and other various reasons can lead to a lengthy and costly legal process.
- Cost to acquire land for the sports complex and land revenue loss should be included.
    - Eminent domain, lost property taxes from displaced residential, retail, or commercial properties.

☐ *Estimation of construction overrun should be included:* Generally, the public's cost increases by 25% when including these typically omitted factors and comparing it to media and consultant reports (Long, 2012). Historically, sports complexes have exceeded estimated costs, and some

contingent amount should be factored in. In comparing 121 complexes, all reported costs exceeded final costs by a total of $10 billion (Long, 2012).

Social Benefit Checklist

Along with economic considerations, it is important to weigh the social benefits that a new sports complex might bring to a community. Community pride, image, psychic income (citizens' personal level of satisfaction), symbolism, solidarity, civic engagement, media exposure, and revitalization are all examples of indirect benefits that must be assessed both economically and in terms of community values. The social benefit checklist relies heavily on the work of Fuguitt and Wilcox (1999).

☐ *Elements of a contingent valuation method present:* These elements include a hypothetical market scenario, random sample selection of participants, standard survey method (telephone, in-person, written questionnaire), formatting of questions to measure a fan or community member's willingness to pay/accept, statistical assessment of the data, and testing the validity and reliability of the survey (Fuguitt and Wilcox, 1997).

☐ *Key tests to assess the application of the method applied:* the market scenario, sample size, and validity and reliability of the data should all be included.

- Hypothetical market scenario: Survey conductors should not coach participants to respond in a desired way that can result in biased responses. The survey should offer a continuous response scale or it should offer a limited number of answer choices. The nonresponse rate should always be reported as well.

- *Random sample selection of participants*: The required sample population size in order to properly assess intangible values is determined based on a formula and three pieces of information:

$$\text{Sample size} = (Z^2 * \sigma^2)/E^2$$

  - *Allowable error (E)*: Determination of how much error is acceptable in the study. A higher number of survey participants are required to lower the margin of error. A typical number for allowable error is 90% or higher.
  - *Level of confidence (Z)*: The likelihood that the recorded results are acceptable according to the defined allowable error—statistically called the level of confidence (z-score). A standard number for this variable is 90% or higher.
  - *Population standard deviation (σ)*: The precision of a survey depends on the amount of variability provided by participants. Standard deviation is determined by comparing an individual's willingness to pay to the average recorded results. This number should be determined based on reliable estimates from before or at least 50 small exploratory surveys to determine this value (Fuguitt and Wilcox, p., 201, 1997).
- *Difference between willingness to pay and willingness to accept*: Willingness to pay is the amount that a person is willing to pay to receive a good or service and a measurement of demand curve. Willingness to accept is the amount that a person is willing to pay in order to retain a good or service and a measurement of the supply curve. The formatting of the question to measure a team's value will depend on whether the city and local government is trying to attract or retain a team.

- *Response validity and reliability tests*: A survey's validity and reliability can be tested by applying a cross tabulation and a regression analysis.
    - *Cross tabulation*: This measures the theoretical validity by listing a relationship between two variables through the number of occurrences recorded. Variables are grouped according to characteristics. The range of results allows the reader to assess the data. For example, public officials can form a hypothesis before reviewing survey responses of social media users based on age. For example, younger respondents should be recorded as using social media more than elder respondents. By performing cross tabulation, the logic of the data can be evaluated.
    - *Regression analysis*: This economic measure calculates the relationship of a dependent variable (building a sports complex) and independent variables (personal income, tax revenue, operation and maintenance costs, attendance, etc.). The method statistically predicts how the dependent variable will have an effect on associated independent variables. The validity of a regression analysis can be tested by testing the variable, to determine if it should be a positive or negative coefficient or by reviewing the statistical significance of each variable. The reliability of a survey can be determined based on the statistical coefficient of determination, otherwise known as R^2. In general, R^2 should be greater than 0.15.

☐ *Use and nonuse values should be calculated through the life of the sports complex*. It is important to understand the long-term use and nonuse value to add with economic benefits in order to obtain total benefits and compare against the subsidization amount being provided. As explained in Chapter 2, use values help determine how much a fan is willing to pay to support the

team and use value determines how much community residents who do not attend games are willing to pay to retain the team.

☐ *Grand vision of the area has been created:* By establishing a grand vision for the area that includes goals for safety, redevelopment, or public image, a project has a greater likelihood of success. For example, downtown Indianapolis wanted to become the nation's amateur sports capitol and their plan brought considerable entrepreneurial investments to the area.

☐ *Local organizations and business leaders involved in the process:* Local organizations are essential and vital to redevelopment efforts because they will bring in both for-profit and nonprofit investments. These organizations become a combination of advocate, dealmaker, and business and investment recruiter. Business leaders have an interest in community development because a strong and lively local community results in an improved economy. Moreover, private business can provide further capital with fewer restrictions than government.

☐ *Privatized financial strategies explored:* Local governments can also negotiate further financial contributions from private developers by offering eminent domain or site control (public-private lease agreement of land). This can be an effective negotiating tactic, where government action—in lieu of providing substantial funding or resources—is enough to establish a sports complex. For example, the Staples Center was funded entirely through private money because the city helped to secure the land through eminent domain and site control. Nationwide Insurance provided over 50% of the area cost in Columbus, Ohio in exchange for a favorable lease agreement for its headquarters operation (Rosentraub, p. 170, 2010).

☐ *Attractions are tightly concentrated:* Tightly concentrated attractions make it easier for an area to be redeveloped. The more scattered attractions are, the more money is needed to develop a larger area. A close concentration of attractions also creates an attractive and safe environment.

☐ *Sports complex's architecture has been properly planned and vetted with the community:* A sports complex can either be integrated with a neighborhood or it can be iconic.

- *Architectural integration with a neighborhood*: If the goal is to enhance an existing neighborhood, facades of new buildings should be in harmony with the existing neighborhood and the buildings should allow people on the street to enjoy the complex through open space and enhanced connectivity. For example, Wrigley Field in Chicago and Fenway Park in Boston are surrounded by residential and commercial developments. The sports complexes look like a part of their surroundings. Pedestrians can come to the sports complex throughout the year instead of only during games.
- *Iconic sports complex*: This is an attempt to create a new identity for the neighborhood by signaling a new look. Neighborhoods can then realign themselves around what the new sports complex represents. The buildings of LA Live are meant to be contemporary and modern, turning a blighted area into a city iconic landmark.

Political Considerations Checklist

Naturally, subsidizing a sports complex is highly political. Certainly, local support is vital, and this usually involves a strong growth coalition. It is important to assess the strength of local advocate coalitions and to really see the value of the proposal. A consideration of opportunity costs can be helpful—not necessarily because funds would be diverted, but because the comparison shows the relative value of the development.

Members of a local advocate coalition include businesses, unions, lobbyists, the media, and vocal fans. Such a group can command considerable financial resources and they are often skilled in public relations. A coalition can keep pressing the issue for a sports complex even after a community may have voted against such a development (Pelissero, Henschen, and Sidlow,

1991; Bast, 1998; Delaney and Eckstein, 2007). However, opponents tend to disperse and run out of resources over time, whereas the advocate coalition is often more organized and well-funded. A public official must ensure that there are enough stakeholders in the local advocate coalition involved.

Opportunity costs are another important political consideration. Could the time, money, and effort required for a new sports complex subsidy be put to better use? Public officials should consider this question by comparing the sports complex subsidy to other civic alternatives. While this does not mean that money being used to subsidize a sports complex could be used to improve the infrastructure, the comparison alone helps to give a good perspective on the value of a sports complex (Bast, 1998). Political considerations cannot be quantified in the same way as economic and social considerations. Since each project and community is different, it is important to understand the local advocate coalition and opportunity costs factors. Ultimately, it is a public official's responsibility to determine the viability of each political factor. Here are the important political considerations to ascertain:

☐ *Strength of the local advocate coalition noted.* There should be a strong and lasting coalition of business owners, team supporters, fans, growth-advocates, and media. In the cases of Denver and Phoenix, these two cities were able to construct privatized ballparks with public financing because the local advocate coalitions were able to suppress their opponents (Delany and Eckstein, p. 151, 2003).

☐ *Voter initiatives indicate community's willingness to fund a sports complex:* A public vote to subsidize a sports complex indicates a community's level of support. If voters unanimously reject a subsidy referendum, it indicates that the subsidy amount is too high and strategies to lower public financing must be explored to attract more private capital.

☐ *Team owners are involved in the effort:* Are owners financially committed to constructing a new complex? Have they raised a substantial amount of their own funds, have they conducted fundraising activities, and have they commissioned the necessary studies? An uninvolved ownership can lead an unsuccessful outcome such as the Maloofs and the City of Sacramento experienced (Lillis and Bizjak, 2012a).

☐ *Fans are financially contributing, e.g., private seat licenses or ticket surcharges:* Are there surveys indicating the degree of fan support? Have surveys been conducted to determine the exact pricing of seat licenses? For example, the Golden State Warriors use "dynamic pricing"—a statistical method that is used to determine ticket pricing thresholds for fans and maximize revenues. As a result of this strategy, the Golden State Warriors were among the few teams to average over 18,000 fans per game over the last eight years (Millman, 2013).

☐ *Local businesses and the community involved in the effort:* Are local businesses (not directly related to the team organization or any builders) and the community supportive of the sports complex? Have they demonstrated this support by participating in the local advocate coalition? Have they made public statements of support? Have they contributed financially to preliminary studies or have they committed to the project either by organizational efforts or by joining in the development? If the project is a multi-use complex, have other businesses made commitments to lease complexes? For example, LA Live involved local businesses and the community in order to assure support for the development project. Local support was needed in order to change the image of downtown and in exchange, community representation over the project was provided through a "community benefits agreement" that outlined open space requirements and job and housing requirements for the low-income community (Rosentraub, 2010).

☐ *Labor unions are supportive:* Do local labor unions support the complex? Are construction labor unions involved and supportive? Are labor unions for the staff of the completed complex

involved and supportive? Securing the support of labor unions is critical. Seattle and King's County face a lawsuit by The International Longshore and Warehouse Union Local 19 because the new arena local would potentially have a negative impact on maritime jobs (Kerns, 2012). Meanwhile, local labor unions in San Francisco appear to be pleased over the agreement that they have reached with the city, ensuing that 25% of arena construction jobs will be San Francisco residents (KGO, 2012).

☐ *Media outlets such as print, radio, or television constantly cover the effort and in some cases, financially contribute:* Is the sports complex being constantly discussed by news outlets and in print, radio, or television? Are there contracts to broadcast games and other events? Sometimes, a media outlet will even become a direct investor. For example, the Columbus Dispatch invested $10 million into constructing Nationwide Arena (Rosentraub, p. 169, 2010).

☐ *The amount of time and effort is more important when applied to constructing a sports complex than the next best alternative:* The amount of time diverted from addressing other public issues should be reviewed. Public officials divert time and effort away from other social issues by focusing on building a sports complex. For example, Sacramento and the Kings have tried to construct an arena since 2002 (Basofin, 2013). By dedicating a great amount of time to retain the Kings, the city has neglected to address their $14 million deficit or soon to be expiring labor union contracts (Powell, 2013). Is their pursuit to retain the Kings more valuable than resolving other issues?

☐ *The combined economic and social value of constructing a sports complex outweighs the next best alternative:* The combined economic and social values of constructing a sports complex and foregoing the next best alternative should be compared. The benefits of building a sports complex must outweigh the next alternative for government such as improving local services. For example, Sacramento and West Sacramento are attempting to improve connectivity by building a

new bridge and developing the Waterfront District (T. Youmans, personal communication, March 4, 2013). If, after a review of comparable projects, the sports complex still seems worthwhile, then this checklist item has been addressed.

Consideration for all Three Areas

Multiple methodologies should be applied to any sports complex proposal. Research shows that the greatest success can come from considering studies in addition to an economic impact report. Social cost-benefits should be considered when determining to subsidize a sports complex, and it is even possible to obtain theoretical valuations that can then be compared to the amount of public investment being proposed. The contingent valuation method that surveys the community and fans to derive a use and nonuse value is particularly helpful in this regard. Public officials should also gauge local advocate coalition support and place a development in the context of a city's priorities through opportunity cost comparisons. Above all, the greatest successes seem to come when combining a sports complex with other kinds of redevelopment, and officials should consider strategies such as collaboration, eminent domain, and site control, as a means of reducing or eliminating public debt.

These factors, organized by theme, will be used to assess the Sacramento Railyard proposal in the next chapter. Factors such as the multiplier, defined boundary, and gross or net figures, hidden costs and financial liability will be examined, a valuation of social costs and benefits will be made, and political considerations will be discussed.

CHAPTER 4

ANALYSIS

Under the right circumstances, a team and a modernized sports complex can be a part of a community's economic development engine, and it can boost civic pride and recognition of the city. However, if the construction of a sports complex is a financial disaster, it reduces civic pride, and makes the community unattractive for new businesses and residents. Thus, public officials must ensure that all promised benefits are realized and that the project will be a major driver of both the economy and of social benefits.

The checklist from the previous chapter will be applied to Sacramento's Railyard arena proposal as a case study to illustrate how such an analysis can be easily conducted. The 2003 *Phase II Analysis of a Sacramento Sports & Entertainment District* report was selected because it was more extensive than the recent *Sacramento Railyards Specific Plan Economic Impact Analysis* (Economic & Planning Systems, 2007) and the *Economic Engine Report: An Economic Analysis on the Regional Impact of an Entertainment and Sports Complex* report (Capitol Public Finance Group, 2011). The 2003 report goes into greater detail about the projected economic details, vision for the area, and social benefits. The 2003 report also marked the city's initial pursuit of building a new arena. The complete report is available at [http://www.cityofsacramento.org/SED/SED.htm].

At first glance, the report's claims are often astounding and beg for verification. *Phase II Analysis of a Sacramento Sports & Entertainment District* states that "3 times more earnings" will occur annually if an arena is constructed at the Railyard site (Turnkey L.L.C., 2003, p. 6 and 111). Yet, when reviewing per capita income before and after the Kings moved to Sacramento in 1985, the overall regional effect on household income for Sacramento County was modest,

belying any claim of a 300% jump in earnings. Table 4.1, thus, shows the most optimistic possibility—but even the highest growth of 9.58% is far less than a 300% claim.

Table 4.1. Sacramento County Per Capita Personal Income (State of California, Employment Development Department, n. d.).

Year	**Per Capita Income**	**Year-to-Year Percentage Change**
1980	$10,859	8.19%
1981	$11,736	7.47%
1982	$12,206	3.85%
1983	$12,887	5.28%
1984	$14,253	9.58%
1985	$15,530	8.22%
1986	$16,407	5.35%
1987	$17,116	4.14%
1988	$17,934	4.56%
1989	$19,169	6.44%
1990	$19,718	2.78%

It is therefore appropriate to look at the report in detail. The first section of this chapter discusses how to assign a score. The second section offers an in-depth analysis of the economic, social-benefit, and political factors. The last section concludes with an overall summation of the report and an assessment of Sacramento's pursuit of an arena.

Assessing Sports Complex Themes

All the key economic benefits, social benefits, and political themes are included in the checklist. An overview follows below:

Economic Factors

- Defined tax base boundary
- Accurate estimate of nonlocal fans

- Primary data based on survey of local area used
- Life of sports complex accurately estimated
- Long-term cost and benefit calculations should vary
- Cost-benefit analysis stated in terms of net rather than gross proceeds
- Employment calculations assessed during the life of the sports complex
- Calculation of the multiplier is accurate
- Multiplier coefficient is within 0.4 and 1.0
- Personal income growth stated instead of sales growth
- Operation and maintenance cost factored into the long-run cost calculations
- Bonds, loans, and interest factored into the long-run cost calculations
- Benefits and costs are fairly shared between all parties involved
- All municipal costs accounted for
- Estimation of construction overrun noted

Social Factors

- Elements of a contingent valuation method present
- Key tests to assess the application of the method applied
- Use and nonuse values should be calculated through the life of the sports complex
- Grand vision of the area created
- Local organizations and business leaders involved in the process
- Privatized financial strategies explored
- Attractions are tightly concentrated
- Sports complex’s architecture has been properly planned and vetted with the community

Political Consideration Factors

- Strength of the local advocate coalition noted
- Voter initiatives indicate community's willingness to fund a sports complex
- Team owners are involved in the effort
- Fans are financially contributing, e.g., private seat licenses or ticket surcharges
- Local businesses and the community involved in the effort
- Labor unions are supportive
- Media outlets such as print, radio, or television constantly cover the effort and in some cases, financially contribute
- The amount of resources is more valuable when applied to constructing a sports complex than the next best alternative
- The combined economic and social value of constructing a sports complex outweighs the next best alternative

The economics of a sports complex are the most critical components; therefore, 15 factors are addressed. Social benefits are secondary to economic considerations; therefore, 8 social-benefit factors are included. The political aspect is dependent upon economic and social factors, and is a key component when determining and negotiating financial responsibility between stakeholders; 9 political factors are included. Users can score each factor from a range of 0–3:

- 0—factor ignored, not applicable, more information is needed
- 1—factor minimally present
- 2—factor somewhat satisfied
- 3—factor fully satisfied

After assigning a score to each factor, the user can total the scores and divide by the total number of points possible to project the feasibility of creating a modernize sports complex. An analysis of scoring will be discussed at the end of the chapter.

Economic Analysis

Here is how the checklist is applied in detail to analyzing *Phase II Analysis of a Sacramento Sports & Entertainment District.* Comments accompany each item to support the score given.

☐ *Defined tax base boundary:* Score 0. The defined tax base boundary is not clearly defined. The tax boundary should be restricted to Sacramento because it is bearing the costs. The report added data from the County of Sacramento and the metropolitan statistical area (consisting of El Dorado, Placer, and Yolo, Turnkey, L.L.C., 2003, p. 13) to project the benefits of a new arena for the region (Turnkey, 2003, p. 115). Therefore, any projections will be inflated.

☐ *Accurate estimate of nonlocal fans:* Score 1. The number of fans that reside outside of this defined city boundary is unclear. The report provides a breakdown of season ticket holders based on county and MSA data, but does not specify how many season ticketholders are from inside the city (see Table 4.2). This is problematic when trying to calculate the number of local versus nonlocal fans. Siegfried and Zimbalist (2000) found 25% to be the maximum percentage of nonlocal visitors that attend a sporting event. The report does not identify the percentage of local fans, but given the report's inclusion of Sacramento County and the MSA, 76% of season ticketholders were categorized as local fans. Thus, 24% of season ticketholders were nonlocal fans, yielding a high estimate. The stated percentage also included attendance at games with the Monarchs (the only Woman's National Basketball Association team in northern California). The report estimates that a new arena would bring in 2.5 million visitors a year to downtown

Sacramento (Turnkey L.L.C., 2003, p. 80). That is unlikely. First, the Kings and Monarch's fan base is already established. Second, if one were to divide 2.5 million by 58 home games (41 for the Kings and 17 for the Monarchs) in a season, this would average 43,103 patrons. This seems unlikely since the maximum seating capacity of the new arena was projected to be 18,000 (Turnkey L.L.C., 2003, p. 67).

Table 4.2. Location of Kings and Monarch Patrons (Turnkey L.L.C., 2003, p. 90)

Residence by Region	**Ticket Holders**	**Percentage**
Sacramento County	6,871	59.94%
Placer County	1,216	10.61%
Bay Area	1,002	8.74%
San Joaquin County	493	4.30%
El Dorado County	372	3.25%
Yolo County	306	2.67%
Sutter County	108	0.94%
Yuba County	28	0.24%
Other*	1,067	9.31%
Total	11,463	100.00%
*Dispersed throughout the remainder of California		
Source: Sacramento Kings & Monarchs Season Ticket Holder Data (2001/2002)		

In addition, the data fails to capture non-season ticketholders. This is important because patrons who are not season ticketholders, but are residing within the city need to be subtracted from estimated benefits because they do not infuse new money into the economy (the entertainment substitution effect). Local patrons are likely reallocating their entertainment budget from another form of entertainment to a sports game. The report even acknowledges entertainment substitution (Turnkey L.L.C., 2003, p. 114), but fails to address it.

☐ *Primary data based on survey of local area used:* Score 0. Secondary data from "state and local government, planning agencies, real estate brokers, and other third parties" was used to

project financial benefits. A disclaimer about the accuracy of the data was also cited in several places, stating that the calculations may not be accurate (Turnkey L.L.C., 2003, p. 22, 87, 109, and 123) and their citation of sources was minimal.

☐ *Life of sports complex accurately estimated:* Score 2. Life of arena was not reliably addressed. Although the checklist states 30 years as the longest advisable timeframe for calculating costs and benefits, the report states the average lease of an NBA arena is 20 years (Turnkey, 2003, p. 134 and 137). However, the report then proceeds to calculate benefits and costs over 30 years. The time frame for all advancement should be the same throughout the report.

☐ *Long-term cost and benefit calculations should vary:* Score 2. Not all long-term cost and benefit calculations varied. The calculated cash flow was projected over 30 years (Turnkey L.L.C., 2003, p. 134) instead of their average 20-year lease findings when reviewing other arenas (Turnkey L.L.C., 2003, p. 136). Further, the projected benefits show constant growth without assessing a discount rate to its calculations. However, a sensitivity analysis was factored into their calculations of bonds and interest rates (Turnkey L.L.C., 2003, p. 132). Yearly attendance for the Sacramento Kings consistently averaged over 17,000 for many years leading up to 2003 (ESPN, n.d.). Thus, the report used a conservative number of 15,850 to conduct its benefits calculation instead of assuming that the arena will sell out on a yearly basis (Turnkey L.L.C., 2003, p. 75).

☐ *Cost-benefit analysis stated in terms of net rather than gross proceeds:* Score 2. Not all figures were stated in terms of net cost-benefits. The cost of providing parking, maintenance, and operation should be subtracted from the gross projected parking revenue (Turnkey L.L.C., 2003, p. 129). Since the report projects revenue for the City by redeveloping the Arco Arena site, costs to develop this property such as demolition, environmental review, permits, and construction should be subtracted from the gross revenue assessed (Turnkey L.L.C., 2003, p. 102)—Turnkey only states gross figures. In addition to income from the Kings and Monarchs, projected revenues

included the Knights (men's indoor soccer team)—a team that was not even playing at the time because league play had been suspended (Turnkey L.L.C., 2003, p. 74). At least 160 public events were assumed to be scheduled (Turnkey L.L.C., 2003, p. 74), but a detailed explanation for how this figure was determined is missing. On average, public events only brings in $2 million a year in revenue (Long, 2012). Furthermore, the depreciation of the arena should be factored into the cost-benefit calculation.

☐ *Employment calculations assessed during the life of the sports complex:* Score 1. The calculations for permanent jobs are estimated over the course of 30 years even though the average NBA lease for an arena only lasts an average of 20 years. The report claims that building the Railyard arena would produce 8,000 new construction jobs and 9,700 new jobs annually for the city (Turnkey L.L.C., 2003, p. 114). However, a justification for how this figure was derived is missing. The amount of total jobs created reported is a gross projection; employment substitution is not subtracted from the gross total, and the delineation of full-time versus part-time jobs is not specified. According to the report, Sacramento's naturally expected job growth is projected to be 1.8% annually. Thus, this natural projection should be subtracted from the estimated 9,700 new jobs added yearly (Turnkey L.L.C., 2003, p. 13) in order to calculate net job growth.

Any claims that a new arena will add construction jobs to the Sacramento region is questionable because the number of indirect construction jobs added to the region (11,378) is larger than the employment figures added to the city (8,147) from direct spending on the arena (Turnkey L.L.C. 2003, p. 118). Operational jobs created are also held constant over the life of the arena, which is misleading because these positions tend to fluctuate seasonally.

☐ *Calculation of the multiplier is accurate:* Score 0. The report states that IMPLAN was used to make its projection (Turnkey L.L.C., 2003, p. 117), but the assumptions made to calculate reported figures were not stated. Therefore, the accuracy of the multiplier cannot be verified.

☐ *Multiplier coefficient is within 0.4 and 1.0:* Score 0. The multiplier coefficient was not stated and key information such as indirect, direct, and induced figures on sales, employment, and income were missing. Therefore, the multipliers used to calculate benefits are unknown and an assessment could not be made. In contrast, the Economic & Planning Systems (2007, p. A-1) report, for example, clearly highlights an assumed build-out multiplier for construction (0.22), employment (0.20), and income (0.19).

☐ *Personal income growth stated instead of sales growth:* Score 0. Incremental sales growth was calculated (Turnkey L.L.C., 2003, p. 1130) instead of personal income growth, leading to inflated economic perceptions about the economic impact of the arena. There is only a claim that sales revenue will increase threefold (Turnkey L.L.C., 2003, p. 111). Personal income is a better assessment of the actual economic impacts that a sports complex brings to a community. The city's total household net income gain from a sports complex should be determined to understand the returns that a household can expect from subsidizing the arena. This can be calculated by subtracting the total amount of household income gains by the total amount of income reductions that occur such as a sales tax to fund the arena.

☐ *Operation and maintenance cost factored into the long-run cost calculations:* Score 2. Operation and maintenance revenues and costs are only stated for 10 years and the report does not extensively list all associated arena costs (Turnkey L.L.C., 2003, p. 77). Costs such as security, concession stand operation, capital reserve fund for maintenance, and cost for surrounding attractions are not listed. Note that the report uses 30 years for many other figures, but uses 10 years here, thereby allowing unreliable conclusions.

☐ *Bonds, loans, and interest factored into the long-run cost calculations:* Score 2. Bonds, loans, and interest were factored into the long-run cost calculations, but disclosure of the method of calculation such as a discount rate is missing. The report states that other cities applied a 7%

discount rate to their arenas (Turnkey L.L.C., 2003, p. 151, 154, 155, 156, and 158) but this was not applied to any Railyard calculations. Tax increment financing, a strategy that borrows money based on projected increases to property tax revenue on the assumption that the tax base will constantly increase, is suggested (Turnkey L.L.C., 2003, p. 128). This kind of financing shifts risk from a private company onto the public, but is not discussed in the report.

☐ *Benefits and costs are fairly shared between all parties involved:* Score 0. The number of potential stakeholders involved was not cited and there was no discussion of how much money the city was expected to contribute.

☐ *All municipal costs accounted for:* Score 2. The report accounts for land acquisition, site preparation, and construction (Turnkey L.L.C., 2003, p. 127), but ignores other costs like the expense of decontaminating the Railyard. Although, the report cites common costs identified in several case studies such as site preparation, contingency reserves, off-site infrastructure, and transactional costs (Turnkey L.L.C., 2003, p. 145-147), it does not address these costs when calculating the cost-benefits of a Railyard arena. Further, municipal costs associated with implementing the vision for the area was not factored into the total cost. For example, the report states that $73 million of infrastructure deficiencies existed at the Railyard site (Turnkey L.L.C., 2003, p. 8). Yet, when calculating the total arena cost, the $73 million of needed infrastructure improvements was not factored into the overall cost to develop the arena. The vision included a plan for the Sacramento Regional Transit agency to expand to the Sacramento Airport, but did not add costs for such a project to the total costs.

☐ *Estimation of construction overrun noted:* Score 1. Cost overrun for the arena was not specifically discussed for the Railyard arena, although it was noted that cost overruns do occur (Turnkey L.L.C., 2003, p. 141).

Results

After totaling all 15 economic factors, the report received a score of 15 out of 45 possible points, for a score of 33%. Of the 15 factors, six of them scored a zero, thus indicating that the projected economic findings are inconclusive and further information is required. The scoring sheet follows below.

Economic Assessment Scoring Sheet

Factors	Score	Note
Defined tax base boundary	0	A definitive boundary is needed.
Accurate estimate of nonlocal fans	1	Benefit calculations fail to exclude local city fans; therefore inflating benefits figure.
Primary data based on survey of local area used	0	Secondary data was used through the report.
Life of sports complex accurately estimated	2	The report states that the average lease of an NBA arena is 20 years. The report then calculates benefits and costs over a 30-year span.
Long-term cost and benefit calculations should vary	2	Projected benefits do not include discount rate.
Cost-benefit analysis stated in terms of net rather than gross proceeds	2	There were some gross figures reported.
Employment calculations assessed during the life of the sports complex	1	Employment was calculated over a longer than expected life period. In addition, gross employment was reported.
Calculation of the multiplier is accurate	0	Disclosure about how the multiplier was calculated is missing.
Multiplier coefficient is within 0.4 and 1.0	0	The multiplier coefficient could not be determined.
Personal income growth stated instead of sales growth	0	Incremental sales growth was reported as opposed to personal income growth.
Operation and maintenance cost factored into the long-run cost calculations	2	This was addressed, but not all cost elements were factored into the analysis.
Bonds, loans, and interest factored into the long-run cost calculations	2	This is discussed, but the report failed to disclose the long-term financial risk was not discussed.
Benefits and costs are fairly shared between all parties involved	0	During the time of the report, the city was just attempting to understand if a new arena would even be feasible.
All municipal costs accounted for	2	The municipal cost to development an arena was stated, but it did not list the entire cost to implement a vision.
Estimation of construction overrun noted	1	Cost overrun was discussed, but was not applied to the Railyard study.

Score: 15 out of 45 points = 33%

Social Benefits and Revitalization Assessment

The report states that developing the SED will improve Sacramento's civic pride, community identity, cultural fabric, and leisure options (Turnkey L.L.C., 2003, p. 122). The eight social benefits factors and comments for the scores follow below:

☐ *Elements of a contingent valuation method present:* Score 0. Elements of a contingent valuation method were not present.

☐ *Key tests to assess the application of the method applied:* Score 0. There was no quantification of social benefits.

☐ *Use and nonuse values should be calculated through the life of the sports complex:* Score 1. Social benefits such as quality of life benefits and psychic value were mentioned (Turnkey L.L.C., 2003, p. 63 and 122), but there was no quantification of these benefits.

☐ *Grand vision of the area created:* Score 3. The report outlines a vision for the area by creating the Sports Entertainment District (SED). The vision for the SED includes the arena as the anchor for the transportation-themed area connecting to neighboring business districts (Turnkey L.L.C., 2003, p. 6 and 33).

☐ *Local organizations and business leaders involved in the process:* Score 1. The report identifies key stakeholders such as the State of California and Union Pacific Railroad (Turnkey L.L.C., 2003, p. 11, 32, 55, and 60), but does not list any other local businesses or stakeholders.

☐ *Privatized financial strategies explored:* Score 0. Private financial sources, other than the Maloofs (Turnkey L.L.C., 2003, p. 74-76), were not mentioned in this report. The report discusses a reuse strategy for the Arco arena site (Turnkey L.L.C., 2003, p. 94–110) to generate further revenues, but this is not a fully privatized strategy since the city owns a portion of this site (Turnkey L.L.C., 2003, p. 99).

☐ *Attractions are tightly concentrated:* Score 3. The SED vision includes "walkability" and connectivity to several attractions such as the planned Intermodal Transportation Center connecting to the existing Central Business District, K Street District, Old Sacramento, and Sacramento waterfront (Turnkey L.L.C., 2003, p. 33).

☐ *Sports complex's architecture has been properly planned and vetted with the community:* Score 0. The project is still in the planning phase; architecture discussions had not yet taken place.

Results

After totaling all eight social-benefit factors, the report received a score of 8 out of 24 possible points, or 33%. Of the eight factors, four of them scored a zero.

Social Benefits Assessment Scoring Sheet

Factors	Score	Note
Elements of a contingent valuation method present	0	No attempt to assess a value for social benefits was made.
Key tests to assess the application of the method applied	0	Since no attempt to assess a value was made, then this factor cannot be assessed.
Use and nonuse values should be calculated through the life of the sports complex	1	Use and nonuse benefits were discussed, but again, there was no attempt to calculate these social benefits.
Grand vision of the area created	3	SED connected to neighboring business districts and transportation themed vision.
Local organizations and business leaders involved in the process	1	Some stakeholders are addressed, but their involvement in the process is not defined.
Privatized financial strategies explored	0	No potential privatized funding strategies were identified.
Attractions are tightly concentrated	3	SED connects to surrounding business districts.
Sports complex's architecture has been properly planned and vetted with the community	0	The architecture stage of the arena is yet to be determined as the report reviewed was only a feasibility study.

Score: 8 out of 24 score = 33%

Political Consideration Assessment

The economic impact report did not address political considerations. In order to examine the political aspect, a general investigation of the Sacramento situation will illustrate the use of the checklist guide. Each item is shown below, along with an explanation and reference information for how each factor was scored follows below.

☐ *Strength of the local advocate coalition noted:* Score 3. The strength of the coalition is strong. Conversations about building a new arena has existed since 2002.

☐ *Voter initiatives indicate community's willingness to fund a sports complex:* Score 1. At the time of the report time, no voter initiatives had been launched before 2003. The score is 1 on the expectation that one would happen and is naturally low since no actual voter referendum had occurred.

☐ *Team owners are involved in the effort:* Score 0. Team owners, Joe and Gavin Maloof appeared uninterested in contributing money to construct a new arena even in 2003.

☐ *Fans are financially contributing, e.g., private seat licenses or ticket surcharges:* Score 0. Fan financial contributions were not included.

☐ *Local businesses and the community involved in the effort:* Score 1. The report only cited Union Pacific and the State of California as potential investing entities (Turnkey, 2003, p. 6, 11, 17, 28, 49, 55, and 60–61). According to the California Employment Development Department's (EDD) employer database, Sacramento County has a lengthy list of substantial nongovernmental employers (See Table 4.3). Many assert that an arena will attract a creative class that will be beneficial to employers within the region, so regional employers should be expected to contribute.

Table 4.3. Major Employers in the Sacramento Region (State of California, EDD, 2013).

Employer Name	**Location**	**Industry**
Aerojet-General Corp	Rancho Cordova	Aerospace Industries (Mfrs)
AMPAC FINE CHEMICALS LLC	Rancho Cordova	Chemicals-Manufacturers
Delta Dental	Rancho Cordova	Insurance
Electrical Workers	Sacramento	Labor Organizations
Gen Corp Inc.	Rancho Cordova	Marketing Programs & Services
Mercy Hospitals Regional Rehab	Sacramento	Hospitals
Mercy San Juan Medical Center	Carmichael	Medical Centers
Methodist Hospital	Sacramento	Hospitals
Sacramento Bee	Sacramento	Newspapers (Publishers/Mfrs)
Sacramento Kings	Sacramento	Sports Teams
Sacto Regional Transit	Sacramento	Alternative Fuels
Securitas Security Svc USA	Sacramento	Security Guard & Patrol Service
UC Davis Medical Center	Sacramento	Clinics

☐ *Labor unions are supportive:* Score 0. Labor union support was not mentioned in the report or in media publications.

☐ *Media outlets such as print, radio, or television constantly cover the effort and in some cases, financially contribute:* Score 3. The print, television, radio, and internet media outlets have covered this topic extensively over the years.

☐ *The amount of time and effort is more important when applied to constructing a sports complex than the next best alternative:* Score 0. The amount of time and effort used to building an arena might have a greater civic benefit if it were allocated toward strengthening Sacramento's green sector industry, or developing the Waterfront District between West Sacramento and Sacramento. These projects were also considered economic drivers (Bizjak, 2013), yet more effort is being put into retaining the Kings and building a new arena.

☐ *The combined economic and social value of constructing a sports complex outweighs the next best alternative:* Score 0. A comparison of financial and social benefits between the arena and the next best alternative such as a vocational work program that teaches unemployed people value skills may be more beneficial than an arena. The result could result in higher wages for a person, who would therefore contribute financially to government as a socially productive citizen. Economists Rolnick and Grunewald (2007), for example, believe that spending public money on early childhood education results in more economic and social dividends than building a sports complex.

Results

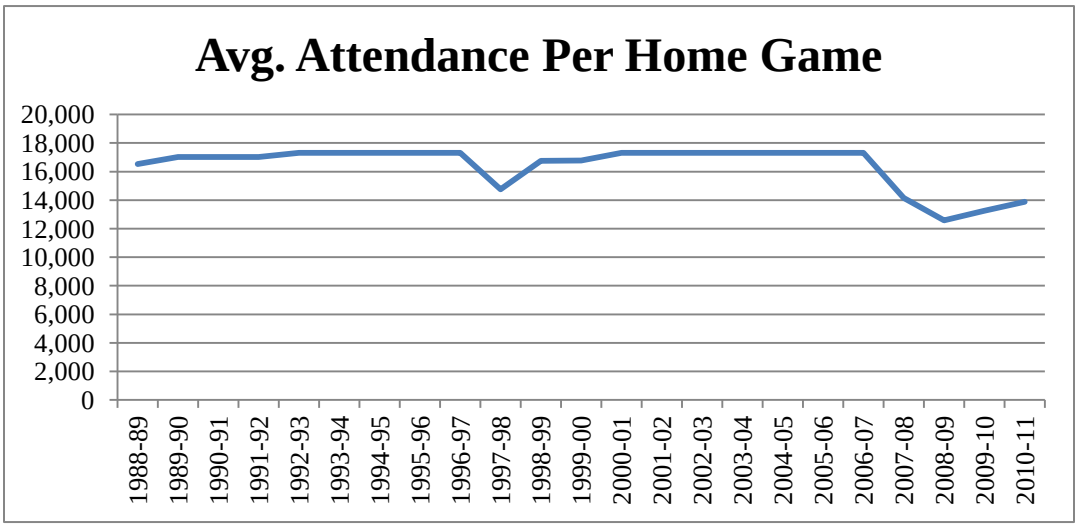
After totaling all 9 political consideration factors, political considerations received a score of 8 out of 30 possible points, or 27%. Thus, political support would have to increase significantly to ensure that the SED is a success for the community.

Since 2003, the political climate has not only been weak, it became toxic, confirming what this checklist model predicted. Two voter initiatives, Measures Q and R were put on the ballot in 2006 (Vellinga and Hardy, 2006). Neither passed—a super majority of the community was not willing to pay extra taxes to create $1 billion of arena funding because of the uncertainty of how the money would be allocated (Hardy, 2006). The vote may well have reflected the public's concern over high taxation costs and allocation uncertainty, but also the public's resentment of the Maloofs.

Throughout the arena efforts, the Maloofs never made a firm financial commitment to partner with the City (Vellinga and Sangree, 2006). Along with being difficult partners, the Maloofs further enraged the public over the years by appearing in a Carl's Jr. commercial drinking a $6,000 bottle of wine (Lillis and Bizjak, 2012b) and suddenly backing out of an agreed

upon financial partnership with the City last year (Kawahara and Bizjak, 2012). Moreover, the Maloofs suddenly raised the possibility that the Kings would move elsewhere—further straining their relationship with the community—attendance has decreased in recent years (see Table 4.4).

Table 4.4. Average attendance of Kings home games from 1988 to the 2010 season (ESPN, n. d.).



Public officials have seemingly utilized other means of financing an arena since 2003. Last year's financial term sheet included a $1 service fee and a 5% ticket surcharge on all events held at the arena (Kasler, Lillis, and Bizjak, 2012). Recently, Sacramento Mayor Kevin Johnson received $50 million in pledges from Sacramento businesses (Badenhausen, 2013) for the newly proposed downtown arena, but it remains to be seen if he can collect the entire amount. Moreover, the City is expecting the County to contribute $600,000 a year, but the County has not officially committed (Bizjak, Lillis, Kasler, 2013). Although, the City has sought other financial methods, the financial arrangement of the currently proposed downtown arena still places Sacramento at great financial risk with a murky financial partnership with public and private stakeholders.

Political Consideration Assessment Scoring Sheet

Factors	Score	Note
Strength of the local advocate coalition noted	3	The conversation of building a modernized arena has existed for over a decade.
***Voter initiatives indicate community's willingness to fund a sports complex*:**	1	Sacramento residents overwhelming voted against the $1 billion in public subsidies to be allocated to construct the SED and arena.
Team owners are involved in the effort	0	The owners were not willing to contribute a hard figure and were not involved in the process.
Fans are financially contributing, e.g., private seat licenses or ticket surcharges	0	The last agreed upon financing terms did not cite fan financial contribution.
Local businesses and the community involved in the effort	1	Local business leaders pledged money, but no actual money was handed over to the city.
Labor unions are supportive	0	There is a lack of labor union presence the new arena effort.
Media outlets such as print, radio, or television constantly cover the effort and in some cases, financially contribute	3	Media outlets have extensively covered the arena saga over the years. More recently, the arena discuss has appeared on a media outline on a daily basis.
The amount of resources is more valuable when applied to constructing a sports complex than the next best alternative	0	This comparison was not conducted.
The combined economic and social value of constructing a sports complex outweighs the next best alternative	0	This comparison was not conducted.

Score: 8 out of 27 score = 30%

More Information Needed to Make Determination

Based on the checklist evaluation, an arena as proposed in 2003 would not have been a good investment. Economic factors such as defining the tax boundary, using primary data, varying long-term calculation, justifying the multiplier, using data for personal income, and developing private financial strategies were missing in the report. Several social-benefit factors, such as quantifying social benefits and calculating a use and nonuse value were also missing. Political factors, such as ownership-contribution, fan, and labor union support needed

improvement. Due to these considerations, and a total score was 31 out of 96 points, or 32%, the Railyard proposal would need serious revamping before it became a feasible public investment.

The final chapter summarizes the thesis and highlights feedback given by consultants and public officials on the checklist. The chapter concludes by providing an outlook for sports complex subsidies and emphasizes key strategies to minimize the public's financial risk.

CHAPTER 5

CONCLUSION

Advocates claim that a sports complex leads to additional jobs, revenue, tourism, prestige, or solidarity for a community serve as reasons to publicly subsidize teams. However, as public subsidies grow, the risk to the public grows with it. History has proven that building sports complexes without any accompanying development results in financial losses. In cases such as the stadiums in Cincinnati, Tampa Bay, and Montreal, it led to financial disaster. However, if done correctly, sports complexes create an opportunity to generate financial capital and social benefits for a community. The checklist can help public officials evaluate the feasibility of investing in a sports complex and to leverage additional benefits for their community. The following sections summarize this thesis, offer recommendations, examine the implications of the checklist, and provide a final outlook for the future of sports complex development.

Thesis Overview

Chapter 1 provided a summary of sports complexes and the subsidies that were offered to their teams. In most cases, sports complexes did not result in greater economic and social benefits. In places such as Montreal, Hillsborough County, and Hamilton County, public officials hoped for economic returns, but cost overruns added to the public's financial burden instead. All this took place while leagues maintained their advantageous negotiating positions by restricting the number of teams in the United States. By threatening to relocate, constant lobbying, clever leveraging of publicity, favorable Federal court rulings and laws, and tending the public's enthusiasm for the benefits and status that sports complexes are thought to provide, the leagues and teams have continued to develop new sports complexes to keep their profits high.

Chapter 2 detailed the key findings of academic researchers who studied sports complex subsidies. The literature review found that sports complexes alone are not sufficient economic drivers. This is a significant problem, because the economic impact reports claimed inflated benefits, used inaccurate multipliers, failed to account for leakage, omitted household income analysis, and overlooked indirect costs. Moreover, intangible benefits such as civic pride, community engagement, and prestige are viewed as priceless—and therefore, no attempt was made to apply simple economics to them. As a result, promoters let people assume that "priceless" meant an inestimable value. Instead, when rigorous research was applied, it turned out that we could gauge a community's valuation of a stadium proposal by polling their willingness to pay for supposedly intangible benefits. The results were usually actually lower than the subsidy amount being proposed. Finally, the chapter also showed that political support from a local advocate coalition is important when attempting to develop a sports complex. In the case of Los Angeles and Indianapolis, political support was a key element that made developing a sports complex feasible.

Chapter 3 centered on a checklist of 33 critical factors—15 economic, 8 social benefits, and 9 political considerations—that can help determine whether a sports complex is a feasible investment for the public. Multiple methodologies beyond an economic impact report were incorporated, and the chapter explained the inclusion of each element. If public officials use the checklist, they can apply the entire range of academic, economic, and political research to any given sports complex proposal.

Chapter 4 demonstrated how the checklists could be applied to the Sacramento Sports & Entertainment District as it was proposed in 2003. The checklist guide revealed many flaws that would make the success of the SED unlikely. Among the factors that were significantly lacking were better involvement of the owners, more political support from the community and private

investors, and a more comprehensive overall development plan. As it turns out, events since then have reflected what the checklist's findings predicted.

Recommendations for Successfully Developing a Sports Complex

As outlined in Chapter 1, today's newly developed or renovated sports complexes require some form of public subsidy. In the case of the Oklahoma Thunder, Oklahoma City was able to bring the team to their city after Seattle, ironically, balked at building a new arena for the former Supersonics because the amount of subsidy was deemed more costly than the economic benefits that the team would generate (Woolsey, 2008).

Clearly, communities are still eager to acquire sports teams and are willing to commit public funds to do so. If subsidizing a sports complex becomes priority, then public officials must look beyond an economic impact report to all the economic factors, and leverage greater social and political outcomes for their community. It is possible to create benefits beyond simply bringing a sports team to town. Sports complexes are successful today if they are a part of a larger combination of attractors and developments that are embedded into a community, creating multiple means of civic participation and spreading the financial risk among many investors and income streams while compounding the public benefits.

Economic Feasibility of a Sports Complex

An economic impact report should no longer be the sole means of evaluating a proposal. There is a fundamental conflict of interest since the advocates of the sports complex fund these reports. It has been demonstrated that economic impact reports skew their projections and exaggerate the likely benefits. When the subsidization of a sports complex has been based on exaggerated promises, significant financial losses have followed. One common blunder has been to enter into a debt whose repayment schedule exceeds the life of the stadium. In the case of

Olympic Stadium in Montreal, the 30 year loan lasted longer than the use of the stadium itself. It is no wonder that researchers conclude that sports complexes built as stand-alone projects produce minimal economic benefits for a community. A single-sport complex depending primarily on revenue from one team and with no other significant businesses, housing, or cultural offerings means that financial risk is concentrated and that any wide spread public benefits are impossible.

Valuation of Social Benefits and Importance of Connecting with a Community

Although some people think that civic pride, community engagement, and prestige cannot be measured, the value a community places on a sports complex can be determined through the contingent valuation method. Through well-designed surveys, researchers can estimate the value that the public feels a sports complex is worth. Clearly, it is necessary to avoid publicly financing a sports complex when financial costs are higher than the public's willing to pay. In places such as Lexington or Pittsburg, proposed amounts of subsidization far exceeded the value that the public put on the projects.

A sports complex is most successful when it is part of a larger vision so that more people will come to visit the entire revitalized area. There are two kinds of visions. The first is the iconic vision. A sports complex is such a dramatic change that it alters the community's and the wider public's perception of the neighborhood for the better. The second is the integrated vision. In this case, a sports complex is designed to fit architecturally with its surroundings. A complex becomes an extension of community pride and becomes a destination for everyone. The result of both approaches has been public support and utilization of the complex to a larger degree than a stand-alone sports complex.

The Underlying Politics of Subsidizing a Sports Complex

A successful sports complex will have many invested stakeholders. Whenever the level of commitment has been low, the public has become alienated and the project has not been viable. Accordingly, Sacramento Councilmember Steve Cohn opposed Measures Q and R to fund an arena for the Kings because Sacramento would have been responsible for the entire cost of building the arena and the Kings's owners, the Maloofs, would not have contributed any funds (S. Cohn, personal communication, March 19, 2013). He felt that the Railyard development was never viable because its former owner, Westfield America Inc., was not supportive (S. Cohn, personal communication, March 19, 2013). Moreover, when a stakeholder is not fully committed or invested, public resentment builds and other investors are reluctant to step in. In short, a sports complex proposal is only viable when all the entities that stand to profit from its construction are also significantly invested.

Indianapolis is one of the most recent and successful sports complex developments (Rosentraub, 2010). Indianapolis was able to pool privatized funding and had significant participation from all stakeholders. Although it took two years of deliberation between all involved parties before everyone was satisfied (T. Youmans, personal communication, March 4, 2013), the result was considerable public support and a reasonable investment of public funds.

When it comes to the political support for a sports complex, it takes more than a publicity campaign. Especially when the economy is struggling, the public will be reluctant to take on new debt. There must be a serious commitment of all interested parties, and the public will not tolerate owners or investors who are unwilling to stake their own money.

Making Sports Complexes Viable Public Investments

Only when economics, social benefits, and political considerations have all been satisfied is there a chance for a successful development. Certainly, the first consideration must be the prudent investment of public funds, but the question of public good must go beyond the mere question of economics. A sports complex has to be a good addition to the quality of life in a community. Indianapolis and downtown Los Angeles surrounded their sports complexes with other attractions and thereby revitalized and improved the image of their communities. The economic and social benefits generated in these two areas grew from the collective efforts of all the stakeholders. These examples illustrate a formula that other sports complex development efforts should follow: local businesses, investors, owners, media, the citizens, and public officials must all be involved or else a project will never go beyond the proposal stage.

Sacramento's Situation

Some ten years later after the 2003 report and the rejection of Measures Q and R, Sacramento does not seem any closer to a viable proposal. Recent efforts have been met with more concerns. Some members of the public have objected to the proposed borrowing against future parking revenue. The team owners, the Maloofs, have been unwilling to invest any significant amount of their own money. In turn, the public resents them. Only the possibility of new owners raises some interest among the community.

If the Kings are sold to new owners who are also willing to invest in a sports complex, then Sacramento has a new opportunity for a development that will truly benefit the public. The possibility of tying a downtown arena with other attractions such as Old Sacramento, the downtown mall, the Crocker Art Gallery, the waterfront, and many other smaller attractions is certainly a promising one. The new potential owners will not be resented in the way that the Maloofs currently are, and the city can encourage new partnerships with local businesses to

generate more revenue and further revitalize the area around the arena. More benefits for the community such as employment, affordable housing, or rehabilitating local parks are possible if Sacramento studies the fundamental economic, social, and political points of the checklist and adjusts the project until as many points as possible are at their most optimal.

The Checklist

The checklist offered in Chapter 3 was developed based on an academic literature review of sports complexes, and it was reviewed by public officials and consultants. Sacramento treasurer, Russell Fehr, and councilmember Steve Cohn both agreed that the checklist would aid public officials in evaluating a sports complex proposal. Consultants Tim Padden of TJP Consulting and Tim Youmans of Economic and Planning Systems noted that the checklist included key cost elements such as environmental costs, opportunity costs, and associated financial costs. Youmans felt that the checklist could be applied to other publicly subsidized projects as well. Each of the professionals who reviewed this thesis made additional points to consider, such as the strength of the overall market, opportunity costs, and the political atmosphere. The consultants noted that the inclusion of social benefits was different from current methods, and they felt that some introduction of these concepts to users of the checklist would be helpful.

Strength of the Market

Fehr and Youmans (personal communication, March 4, 2013) said that the size of the overall market was important to consider. Teams that compete in a big economic market such as New York or Los Angeles do not have the need to subsidize a team as much as a small market such as Oklahoma City. Teams playing in a big market city can earn additional revenue through media rights, luxury suites, and additional consumer surcharges, and that prices are often higher

in large market cities. A smaller city has none of these advantages, but if it wishes to retain or gain a team, it will have a greater need to subsidize a sports complex. If the public values the team and a sports complex less than the requested subsidy amount, either officials can reject the proposal entirely or they must increase consensus with the public, owners, and investors. Sacramento, for example, fit into this smaller market category. If Sacramento wishes to retain an NBA team, then it may have to consider greater subsidization and increase public support.

Opportunity Cost Considerations

Youmans discussed opportunity costs on a deeper level (personal communication, March 4, 2013). He agrees that opportunity cost is important to consider, but there are further ramifications. Could Sacramento generate the same amount of capital for redevelopment without an arena proposal? Could any other single capital project achieve the same amount of subsidy that the city would provide to build an arena? Therefore, comparing opportunity costs is rarely a matter of weighing two equal options in the abstract. For example, connecting West Sacramento and Sacramento by constructing another bridge and developing the Waterfront District might be considered an equal option to the Railyard proposal and thus an opportunity cost useful for comparison—but could such a project galvanize the public in the way that an arena project would? Multiple projects should be considered, such as the costs to build a bridge and develop the waterfront, in order to equate and compare against developing a sports complex.

Supportive Political Atmosphere Needed

Interviewees unanimously emphasized the need for a good political atmosphere; all of them cited the Maloofs unwillingness to invest their own money as poor politics. Arena development efforts turned sour in 2006 between the city and the Maloofs. Fans were being asked to pay additional taxes to subsidize a new arena at the same time that the Maloofs appeared in a

Carl's Jr. commercial drinking a $6,000 bottle of wine (Lillis and Bizjak, 2012b). Youmans cited this incident as the reason for the public rejecting Measures Q and R. Cohn and Fehr both acknowledged that the Maloofs have been difficult partners. Cohn was more explicit: he said that the Maloofs have wanted the city to assume most or all of the financial risks, while keeping a majority of the profits for themselves. Last year, public officials and the Maloofs initially agreed to fund a sports complex; however, the Maloofs suddenly backed out of the deal and raised the possibility that the Kings would move elsewhere. A potential new investment group has been cooperative in outlining a proposal to buy and build a new arena for the Kings in order to meet the NBA's deadline for a proposal, but they have not raised enough money yet. Although, there is fear that the city will lose its negotiating powers with investors since the terms of the deal came together abruptly and has yet to be finalized, it is clear that the political situation around the Maloofs is now untenable. The city and new investment group partnership shows how much a balanced and good-faith supportive effort is necessary.

Feasibility of Assessing a Value for Intangible Benefits

When it came to the question of social benefits, Padden and Cohn agreed that a team and a sports complex produce intangible benefits for a community. Padden felt that a sports complex that is connected to its community is preferable to a disconnected development (personal communication, February 21, 2013). Both Padden and Cohn used San Francisco's AT&T Park as an example of how a sports complex can revitalize an area by connecting to surrounding businesses, creating a vibrant atmosphere, and serving as an iconic landmark that people want to visit even during the offseason. By contrast, Candlestick Park is disconnected from local businesses and has been ranked the sixth worst American sports stadium by *Time* (Cosgrove, 2012). In Sacramento's case, Cohn believes an arena built near the Downtown Plaza can

revitalize the J Street, K Street, and L Street business corridors, in addition to making Sacramento a more attractive place to live.

No interviewee was familiar with the contingent valuation method of determining a value for social benefits, but they accepted its premise and research has proven that the method can certainly be used to provide a monetary equivalent to the benefits that are claimed in reports. Sports complex development is not static. As more techniques developed from academic research are introduced to the process of sports complex evaluation and development, projects will be able to more precisely quantify social benefits.

Decreasing Public Financial Risk

Over the last few decades, many team owners have been able to negotiate large public subsidies. As explained in Chapter 1, sports leagues and owners have enjoyed favorable laws and court rulings such as the Sherman Act of 1890, the Clayton Act of 1914, the 1961 Sports Broadcast Rights Act, and the 1986 Tax Reform Act. At the same time, public officials are often afraid of losing a team or want to gain the economic and social benefits that a home team is perceived to generate. The pressure is so great that some public officials feel that their political lives are at stake if a team were to leave a city. For example, former Pittsburg Urban Redevelopment Authority, Executive Director, Mulugetta Birru said, “If the Steelers ever left town, elected officials would be hung” (Diedrich, 2007). The combination of favorable laws and rulings and the eagerness to have a sports team in town has given sports leagues and owners an advantageous negotiating position. Can this situation be corrected? The monopolistic hold that professional sports leagues have on governments can be broken only through government intervention, but that would take considerable legislative effort and probably anti-trust investigations of the sports leagues.

Reversing the 1986 Tax Reform Act would allow—or even require—owners to contribute more than 10% for any financing borrowed from the Federal government. Reversing or modifying the 1961 Sports Broadcasting Rights Act, the 1914 Clayton Act, and the 1890 Sherman Act of 1890, would give startup leagues the chance to enter into the professional sports market. Moreover, the Federal government could pass legislation that would divide established leagues into multiple smaller leagues, the same way collegiate athletics now exist. This would allow new professional teams to enter the market, thereby reducing the bidding wars between cities. However, given past rulings, the strength of sports lobbying, the power of broadcast media, and local advocate coalitions, it is highly unlikely that such legislation will be passed.

A city's best strategy to negotiate is to spread the liability out among private investors and to diversify the sources of future income. That is why it is more successful when a sports complex is embedded in a larger development. Furthermore, if officials are aware of the factors that favor teams in negotiations, they can take steps to sidestep or neutralize such tactics. Until legislators reverse past rulings and laws that favors teams, officials must simply use the checklist to determine flaws in proposals and use them for leverage in negotiations.

Looking Ahead

America's enthusiasm for sports continues to make the development of sports complexes popular civic projects. In fact, a new sports complex seems to generate more attention than any other kind of civic construction project. From the Olympic Stadium in East London to the building of AT&T Park, and perhaps someday to the building of a downtown basketball arena in Sacramento, there seems to be an inherent excitement about new sports complexes. As a matter of public policy, officials must not only look for the lowest financial risk for the public, they must also leverage the developments for the greatest public good. Employment, revitalization of

blighted neighborhoods, public facility improvements, and prestige for the community must all be priorities. By using the checklist as a tool, a project can be configured to be of the best overall benefit to the community.

It is evident that not all associated costs were considered when developing sports complexes during the last fifty years. In looking to the future, officials must look beyond the obvious direct costs and include all indirect costs, from debt service to infrastructure improvement. Oftentimes, public officials are taken by the visions of redevelopment and the promises of benefits such as increased income, job growth, and boosts in the value of adjacent real estate. For every benefit claimed for a sports complex, all the associated costs must also be included. In the past, public officials assumed information presented to them was valid and complete, relying on the partial information of an economic impact report and the vague promises of fantastic returns. If all costs are estimated in advance, the result will be better sports complexes that can anchor good development—and minimize financial risk.

Accelerating Redevelopment

Redevelopment will be an ongoing concern of cities as they try to attract people back to the urban core, as community demographics change, and as inner cities require renewal. The development models of Indianapolis or Los Angeles can serve as a template for redevelopment in other cities. A stadium or arena is an easily grasped symbol for the development itself and a large amount of public and private capital can be generated. A project that might have been a strictly civic project can then be infused with private money. Thus, the proper building of a sports complex can actually relieve government of some of the burdens of revitalizing neighborhoods, and the resulting public-private partnerships can bring benefits far beyond the construction of the development itself.

Sports generate loyalty, enthusiasm, good-natured competition that brings people together in large numbers. By extension, a sport complex can generate the same qualities. If the good will toward the development lasts, and if the other fundamentals of the development are sound, the sports complex itself will quickly become an integral part of the community. Attractions such as theaters, restaurants, shops, parks, and other features can ensure that people will use the area frequently.

As more sports complexes are replaced, the new cycle of development presents an opportunity for public officials to leverage improvements for local parks, affordable housing, and homes for non-profits and arts organizations. Moreover, they must reserve as many jobs as possible for local residents and minimize the amount of money leaving the community. This means negotiating labor contracts so that local workers can benefit. It means encouraging local businesses that will keep money in the community rather than sending it to corporate accounts elsewhere. It means making sure that a sports complex, as popular as it might be, does not become a vehicle for rampant gentrification and displacement of neighborhoods and residents. As much as possible, sports complex development must be a public policy success, using the massive influx of money, commerce, and activity for the best public good.

Given America's fascination with professional sports and the beliefs about the economic and social benefits a sports team creates, it is understandable that cities are reluctant to let teams leave town. It is understandable that civic pride would be considered reason enough to build modernized sports complexes with all the latest comforts, technology, and optimal sightlines. It is understandable that a city wants gain national recognition through televised games. It is understandable that a smaller city may want to go to extreme measures to enlarge its relatively smaller market by hosting a nationally recognized team.

However, public officials should never negotiate from a position of pressure or weakness. Both Cohn and Fehr said that should the Kings move, it would not be disastrous for Sacramento. A city should never be desperate. The Kings and Sacramento have much to gain by staying, but the officials must see that the public's interest is protected as well.

The checklist can help strengthen a city's negotiating power. Information is the essence of negotiation. Public officials must question figures, request further studies, assert more realistic projections, and inquire about previously unaccounted for topics such as social benefits. This does not ruin a development proposal—it allows for better negotiation. Furthermore, if a realistic price is known, then a meaningful coalition of public-private money can be put together. As an example, Sacramento Mayor Kevin Johnson has publicly declared that he will pull together a group of private investors to buy the Kings and develop a sports complex. At the moment, however, there is no proposal to accompany his vision, no true knowledge of revenue or costs, and no model that can truly inspire additional investors. While there is no doubting the mayor's enthusiasm or sincerity, would it not be better if he had a true and complete sense of what it would really cost to keep the Kings in Sacramento?

The strengthening of a city's negotiating power actually lowers financial risk to the public because officials will be able to know exactly how much they are spending. If they use the contingent valuation method, they would not borrow more money than their citizens think the project is worth. Further, if the project has enough reasons to involve private investors because it contains a variety of attractions, then the risk to the public is greatly reduced.

The future for development of sports complexes has never been better. Prior to the middle of the twentieth century, owners of American sports teams financed the cost of constructing, maintaining, and operating the sports complexes in which their teams played. The paradigm shifted in the 1950s, as local governments began to provide teams with financial

assistance. Government subsidies for sports complexes increased drastically over the subsequent decades. During 1990–2011, governments across the nation had subsidized over 89% of professional arenas or stadiums, providing teams with $18.240 billion in funding—some 54% of total complex costs. As we enter into the second decade of the 21st century, America's passion for sports continues to grow, signifying that owners will continue to have the power to request public subsidies from public officials. However, massive public financing of projects will change again, as more complexes are built with public-private partnerships, and people take greater care to embed sports complexes into their communities.

In hopes of learning from the disasters of the last 50 years of stand-alone sports stadiums or arenas, city officials cannot solely rely on economic impact reports to justify subsidizing a team and they cannot become desperate during negotiations. Projects like LA Live and Indianapolis, which incorporate multiple-attractions developments and that use public-private investments can be highly successful. Projects like Lambeau Field and the Green Bay Packers can become a symbol for a community through political integration and support. Simply by applying the economic, social, and political factors that are at the heart of this thesis to any public development project, anyone can quickly assess the public viability of a proposal. As a result, the future is sure to bring grand new sports complexes that will benefit the public in multiple ways, with one of the most important of those ways being fiscal responsibility. Better projects will be designed and built for the benefit of everyone.

REFERENCES

AECOM. (2010). Economic Impact Study of the Green Bay Packers and the Redeveloped Lambeau Field. AECOM. Retrieved from http://www.packers.com/assets/docs/2010economic_impact_report.pdf

Albergotti, R., and McWhirter, C. (2011). A Stadium's Costly Legacy Throws Taxpayers for a Loss. The Wall Street Journal. Retrieved from http://online.wsj.com/article/SB10001424052748704461304576216330349497852.html

Allen, P. (2008). Cities jockey for position within NBA. The Seattle Times. Retrieved from http://seattletimes.com/html/nba/2004186713_soni170.html

Asselin, P. (2006). Supporting the Home Team... In More Ways Than One: An Analysis of the Public Financing of Philadelphia's New Sports Stadia. *Rutgers Journal of Law and Urban Policy*, 3, 389–415.

Baade, R. (1994). Stadiums, professional sports, and economic development: Assessing the reality. *Heartland Institute*. 62, 1–39. Retrieved from http://news.heartland.org/sites/all/modules/custom/heartland_migration/files/pdfs/3075.pdf

Baade, R. (1996). Professional sports as catalysts for metropolitan economic development. *Journal of Urban Affairs*, 18(1), 1–17.

Baade, R. A., Baumann, R., & Matheson, V. A. (2008). Selling the game: Estimating the economic impact of professional sports through taxable sales. *Southern Economic Journal*, 794–810.

Baade, R. A., & Dye, R. F. (1990). The impact of stadium and professional sports on metropolitan area development. *Growth and Change*, 21(2), 1–14.

Baade, R. and Sanderson, A. (1997). The Employment Effect of Teams and Sports Facilities. In R. G. Noll and A. Zimbalist (Eds.), *Sports, Jobs, and Taxes: The Economic Impact of Sports Teams and Stadiums* (pp. 92–118). Washington, DC: Brookings Institution Press.

Baade, R. and Matheson, V. (2011). Financing Professional Sports Facilities. *North American Association of Sports Economics*. Working Paper Series, 11–02. Retrieved from http://college.holycross.edu/RePEc/spe/MathesonBaade_FinancingSports.pdf.

Badenhausen, K. (2013). Sacramento Mayor Kevin Johnson Says 'No Way' On Kings' Move To Seattle. Forbes. Retrieved from http://www.forbes.com/sites/kurtbadenhausen/2013/03/01/sacramento-mayor-kevin-johnson-says-no-way-on-kings-move-to-seattle/

Baim, D. (1990). Sports stadiums as wise investments: an evaluation. *Heartland Institute*. 32.

Baim, D. (1994). *The sports stadium as a municipal investment*. Westport, CT: Greenwood.

Barrows, M. (2012). First-class seating: 49ers release some ticket prices for new stadium. Sacramento Bee. Retrieved from http://blogs.sacbee.com/49ers/archives/2012/01/first-class-seating-49ers-release-some-ticket-prices-for-new-stadium.html

Basofin, P. (2013). Timeline: Sacramento Kings, 1985–2013. Sacramento Bee. Retrieved from http://www.sacbee.com/2013/01/09/5103458/timeline-sacramento-kings-1985.html

Bast, J. (1998). Sports Stadium Madness. *The Heartland Institute*. 85. Retrieved from http://heartland.org/sites/all/modules/custom/heartland_migration/files/pdfs/3942.pdf

Belson, K. (2010). As Stadiums Vanish, Their Debt Lives On. New York Times. Retrieved from http://www.nytimes.com/2010/09/08/sports/08stadium.html?pagewanted=all&_r=0.

Bizjak, T. (2013). Sacramento, West Sac get serious about two new river bridges. Sacramento Bee. Retrieved from http://www.sacbee.com/2013/02/18/5197544/sacrament-west-sac-get-serious.html#storylink=cpy

Bizjak, T., Lillis, R., and Kasler, D. (2013). Sacramento County's financial support for proposed downtown arena not nailed down. Sacramento Bee. Retrieved from http://www.sacbee.com/2013/04/07/5322391/sacramento-countys-financial-support.html

Capitol Public Finance Group, L.L.C. (2011). *The Economic Engine Report: An Economic Analysis on the Regional Impact of an Entertainment and Sports Complex.* Capitol Public Finance Group, L.L.C. Retrieved from http://www.thinkbigsacramento.org/assets/Public-Reports/6.30.11-TheEconomicEngineReport-Final.pdf

CBC News. (2006). Quebec's Big Owe stadium debt is over. Canadian Broadcasting Corporation. Retrieved from www.cbc.ca/new s/canada/montreal/story /2006/12/19/qc-olympicstadium.html.

CBS, SF. (2012). Giants World Series Parade Draws A Million Revelers To Downtown SF. CBS San Francisco. Retrieved from http://sanfrancisco.cbslocal.com/2012/10/31/crowds-gather-early-for-giants-world-series-parade/

Chapin, T. (2002). Identifying the Real Costs and Benefits of Sports Facilities. Lincoln Institute of Land Policy.

City of Green Bay. (2003). Economic Development Analysis: Green Bay Smart Growth 2022. City of Green Bay. Retrieved from http://www.ci.green-bay.wi.us/planning/forms/12_chap_gbcomp.pdf

Coates, D., & Humphreys, B. (1999). The Growth Effects of Sport Franchises, Stadia, and Arenas. *Journal of Policy Analysis and Management*, 601–624.

Coates, D. and B. R. Humphreys. (2001). The economic consequences of professional sports strikes and lockouts. *Southern Economic Journal*, 67(3): 737–747.

Coates, D., & Humphreys, B. (2003). Professional sports facilities, franchises and urban economic development. *Public Finance and Management*, *3*(3), 335–357.

Condotta, N. (2013). Source: Kings' owners want to keep hand in running NBA team. Seattle Times. Retrieved from http://seattletimes.com/html/sports/2020104985_kings11.html

Crompton, J. (1995). Eleven Sources of Misapplication. *Journal of Sport Management*, *9*, 14–35.

Crompton, J. (2004). Beyond economic impact: an alternative rationale for the public subsidy of major league sports facilities. *Journal of Sport Management*, 18(1), 40–58.

Crompton, J. (2006). Economic impact studies: Instruments for political shenanigans?. *Journal of Travel Research*, *45*(1), 67–82.

Crumpacker, J. (2012) Cal stadium funding a long-term project. San Francisco Chronicle. Retrieved from www.sfgate.com/collegesports/article/Cal-stadium-funding-a-long-term-project-3814377.php.

Cosgrove, B. (2012). Top 10 Worst Stadiums in the U.S. Time Magazine. Retrieved from http://keepingscore.blogs.time.com/2012/05/10/top-10-worst-stadiums-in-the-u-s/slide/candlestick-park-san-francisco/

Danielson, M. N. (1997). *Home team: Professional sports and the American metropolis*. Princeton University Press.

Delaney, K & Eckstein, R. (2003). *Public dollars, private stadiums: The battle over building sports stadiums*. Rutgers University Press.

Delaney, K., & Eckstein, R. (2007). Urban power structures and publicly financed stadiums. *Sociological Forum*, 22(3), 331-353. Blackwell Publishing Ltd.

DeMause, N. (2011). Why Do Mayors Love Sports Stadiums?. *Nation*, *293*(7/8), 14–17.

Devine, D. (2012). Kings fans give Maloofs, Mayor Johnson a hero’s welcome after striking tentative arena deal. Yahoo Sports. Retrieved from http://sports.yahoo.com/blogs/nba-ball-dont-lie/kings-fans-maloofs-mayor-kevin-johnson-hero-welcome-170056304.html

Diedrich, C. (2007). Homefield Economics: The Public Financing of Stadiums. Policy Matters Journal. 4(2), pp. 22–27.

Economic & Planning Systems. (2007). *Sacramento Railyards Specific Plan Economic Impact Analysis. Economic & Planning Systems.* Retrieved from http://www.cityofsacramento.org/dsd/projects/railyards/documents/RailyardsEconomicImpactReport.pdf

ESPN. (n. d.). NBA Attendance Report. *Entertainment and Sports Programming Network.* Retrieved from http://espn.go.com/nba/attendance

Fagan, K., Berton, J., & Bulwa, D. (2010). Hundreds of thousands pack Giants parade route. SF Chronicle. Retrieved from http://www.sfgate.com/giants/article/Hundreds-of-thousands-pack-Giants-parade-route-3247230.php

Forbes. (2008). NFL Team Valuation: #12 Tampa Bay Buccaneers. Forbes. Retrieved from http://www.forbes.com/sports/lists/2008/30/sportsmoney_nfl08_Tampa-Bay-Buccaneers_306470.html

Forbes. (2012a). NFL Team Valuation: Tampa Bay Buccaneers. Forbes. Retrieved Nov. 8, 2012, from http://www.forbes.com/teams/tampa-bay-buccaneers/

Forbes. (2012b). 400 Richest Americans. Forbes. Retrieved from http://www.forbes.com/profile/robert-mcnair/

Fortune, B. (2012). Final report of Rupp task force envisions $300 million project with many sources of financing. Lexington Herald-Leader. Retrieved from http://www.kentucky.com/2012/02/01/2050062/final-report-of-rupp-task-force.html#storylink=cpy

Florida, R. (2003). Cities and the creative class. *City & Community*, *2*(1), 3–19.

Frommer, F. (2010). Act of Congress on AFL-NFL merger helped give birth to Saints and Super Bowl. Associated Press. Retrieved from http://www.startribune.com/templates/Print_This_Story?sid=83041832

Fuguitt, D., & Wilcox, S. J. (1999). *Cost-benefit analysis for public sector decision makers*. Quorum Books.

Green Bay Packers. (2011). The Original Construction. Green Bay Packers, Inc. Retrieved from http://www.packers.com/lambeau-field/stadium-info/history/original-construction.html

Green Bay Packers. (2012). Hallowed Grounds. Green Bay Packers, Inc. Retrieved form http://www.packers.com/lambeau-field/stadium-info/history/

Greenberg, M. J., & Hughes Jr., D. (2011). Sports. comm: It Takes a Village to Build a Sports Facility. *Marquette Sports L. Rev.*, *22*, 91.

Haddock, D., Jacobi, T., & Sag, M. (2011). League Structure & Stadium Rent Seeking – the Antitrust Role Reconsidered. Northwestern University School of Law. Retrieved from http://www.law.northwestern.edu/searlecenter/papers/Haddock_Jacobi_SagAntitrust_Stadium_Rent_Seeking.pdf

Hardy, T. (2006). City fights for arena secrecy - Officials appeal judge's order to release plan to public before election. Sacramento Bee. Retrieved from http://infoweb.newsbank.com.proxy.lib.csus.edu/iw-search/we/InfoWeb?p_product=NewsBank&p_theme=aggregated5&p_action=doc&p_docid=1150B6021CBAEF48&p_docnum=8&p_queryname=6

Hritz, N., & Ross, C. (2010). The perceived impacts of sport tourism: an urban host community perspective. *Journal of Sport Management*, *24*(2), 119–138.

Howard, D. R., & Crompton, J. L. (1995). *Financing sport*. Morgantown: Fitness Information Technology.

Jensen, S. A. (2000). Financing Professional Sports Facilities with Federal Tax Subsidies: Is it Sound Tax Policy?. *Marquette Sports Law Review*, 10(2), 425.

Johnson, B. K., & Whitehead, J. C. (2000). Value of public goods from sports stadiums: The CVM approach. *Contemporary Economic Policy*, *18*(1), 48–58.

Johnson, B. K., Groothuis, P. A., & Whitehead, J. C. (2001). The Value of Public Goods Generated by a Major League Sports Team The CVM Approach. *Journal of Sports Economics*, *2*(1), 6–21.

Johnston, L. (2012). Indianapolis' downtown sports strategy hints at lessons for Cleveland. The Plain Dealer. Retrieved from http://www.cleveland.com/metro/index.ssf/2012/10/indianapolis_downtown_sports_s.html

Jones, M. (2011). Cure for Packers hangover? Shovel out Lambeau Field. Milwaukee Journal Sentinel. Retrieved from http://www.jsonline.com/news/wisconsin/115488079.html

Kasler, D., Lillis, R., and Bizjak, T. (2012). Sacramento Kings - Arena deal is detailed - New Ticket Surcharge, VIP Parking Garage are Included in the Project. Sacramento Bee. Retrieved from http://infoweb.newsbank.com.proxy.lib.csus.edu/iw-search/we/InfoWeb?p_product=NewsBank&p_theme=aggregated5&p_action=doc&p_docid=13D4658393743598&p_docnum=9&p_queryname=14

Kawahara, M. and Bizjak, J. (2012). Sacramento - Frustrated Kings fans have an empty feeling - Turned Off by Team and Maloofs, they are Losing Patience. Sacramento Bee. Retrieved from http://infoweb.newsbank.com.proxy.lib.csus.edu/iw-search/we/InfoWeb?p_product=NewsBank&p_theme=aggregated5&p_action=doc&p_docid=142B6812F06A5150&p_docnum=6&p_queryname=11

Keating, R. (1999). Sports Pork: The Costly Relationship between Major League Sports and Government. *Policy Analysis*, 339. Washington, DC: Cato Institute.

Kerns, J. (2012). Port workers to sue over new Seattle arena. MyNorthWest.com. Retrieved from http://mynorthwest.com/27/1458813/Port-workers-to-sue-over-new-Seattle-arena?page=2

KGO. (2012). Labor deal in place for proposed Warriors arena in SF. KGO-TV San Francisco. Retrieved from abclocal.go.com/kgo/story?section=news/sports/pro/basketball&id=8885684

Kogan, B. (2008). USFL v. NFL: The Challenge Beyond the Courtroom. University of California, Berkeley, School of Law. Retrieved from http://www.law.berkeley.edu/sugarman/Sports_Stories_USFL_v_NFL__-_Boris_Kogan.pdf

Kucinich, D. (2007) Professional Sport Stadiums: Do They Divert Public Funds From Critical Public Infrastructure?. Congressman Dennis Kucinich. Retrieved from http://kucinich.house.gov/news/documentprint.aspx?DocumentID=75890

Kuriloff, A., and Preston, D. (2012). In Stadium Building Spree, U.S. Taxpayers Lose $4 Billion. Bloomberg L.P. Retrieved from http://www.bloomberg.com/news/2012-09-05/in-stadium-building-spree-u-s-taxpayers-lose-4-billion.html

Lillis, R. and Bizjak, T. (2012a). Kings arena deal crumbles as Maloofs back away from plan. Sacramento Bee. Retrieved from www.sacbee.com/2012/04/14/4413343/kings-arena-deal-crumbles-as-maloofs.html#storylink=cpy

Lillis, R. and Bizjak, T. (2012b). Sacramento leaders, Kings fans angry at Maloofs. Sacramento Bee. Retrieved http://www.sacbee.com/2012/04/15/4414644/sacramento-leaders-kings-fans.html

Lipsky, R. (1981). *How we play the game: Why sports dominate American life* (Vol. 81). Boston: Beacon Press.

Long, J. (2005). Full Count The Real Cost of Public Funding for Major League Sports Facilities. *Journal of Sports Economics*, *6*(2), 119–143.

Long, J. (2012). *Public/private Partnerships for Major League Sports Facilities* (Vol. 2). Routledge.

Ludwig, J. (2011). Benefit-Cost Analysis for Crime Policy. [Video file]. Retrieved from http://www.youtube.com/watch?feature=endscreen&NR=1&v=EwenFbqv1Ic

Matier, P. and Ross, A. (2012). S.F. arena backers play game shrewdly. San Francisco Chronicle. Retrieved from http://www.sfgate.com/bayarea/matier-ross/article/S-F-arena-backers-play-game-shrewdly-4046877.php

May, P. (2010). Huge, emotional turnout for Giants parade. San Jose Mercury News. Retrieved from infoweb.newsbank.com.proxy.lib.csus.edu/iw-search/we/InfoWeb

Millman, J. (2013). Warriors Go On Offense to Fill Seats: *Team Uses Data to Refine Ticket Pitches, Draws Big Crowds in Good Years and Bad*. The Wall Street Journal. Retrieved from http://online.wsj.com/article/SB10001424127887324900204578283890692828694.html

Mills, E. S. (1993). Misuse of Regional Economic Models. *Cato J.*, *13*, 29.

Mills, E. S. (1996). Economic Effects of State and Local Government Capital Projects. *Office of Real Estate Research University of Illinois at Urbana-Champaign*, 10(2), 1–5.

Mintrom, M. (2012). *Contemporary Policy Analysis*. New York, Oxford University Press, Inc.

National Sports Law Institute. (2001). Sports Facility Reports. National Sports Law Institute of Marquette University Law School. Volume 2(1). Retrieved from https://law.marquette.edu/images/sports/overruns.pdf

National Sports Law Institute. (2012). National Facilities Report. National Sports Law Institute of Marquette University Law School. Volume 13. Retrieved from https://law.marquette.edu/assets/sports-law/pdf/sports-facility-reports/sfr-v13-nfl.pdf

NPR Staff. (2012). Hedi: The Little Girl Who Changed Football Forever. National Public Radio. Retrieved from http://m.npr.org/news/U.S./165359212?start=10

Noll, R., & Zimbalist, A. (1997). Build the Stadium—Create Jobs!. In R. G. Noll & A.S. Zimbalist (Eds.), *Sports, jobs, and taxes: The economic impact of sports teams and stadiums*. (pp., 1–54). Washington, DC: Brookings Inst Press.

Owen, J. G. (2003). The Stadium Game Cities Versus Teams. *Journal of Sports Economics, 4*(3), 183–202.

Pearce, P. L. (1998). The Relationship Between Residents and Tourists: The research literature and management directions. *Global tourism*, 129–149.

Pelissero, J. P., Henschen, B. M., & Sidlow, E. I. (1991). Urban regimes, sports stadiums, and the politics of economic development agendas in Chicago. *Review of Policy Research, 10*(2-3), 117–129.

Pender, K. (2010). Giants' playoff fever hits home for S.F. economy. SF Chronicle. Retrieved from http://www.sfgate.com/business/networth/article/Giants-playoff-fever-hits-home-for-S-F-economy-3169868.php

Powell, C. (2013). Raising Doubts—a conversation with opponents of taxpayer subsidized arenas. Inside Publications. Retrieved from http://www.insidepublications.org/index.php/inside-city-hall/280-raising-doubts

RAM Financial Group. (2011). Athletes Services. RAM Financial Group. Retrieved Nov. 20, 2012, from http://www.ramfg.com/RAM-Financial-Group-Solutions-Professional-Athletes-Athletes-Services

Reisman, W. (2012). Transit agencies banking on 2010 experience in prep for Giants' parade. SF Examiner. Retrieved from http://www.sfexaminer.com/local/transportation/2012/10/transit-agencies-banking-2010-experience-prep-giants-parade

Riley, C. (2012). Do the Olympics Cost too much for host cities? Cable News Network. Retrieved from http://money.cnn.com/2012/07/30/news/economy/olympics-cost/index.htm

Rivera, R. and Heath, T. (2005). Beyond Washington, Most Teams Cover Stadium Overruns: District Agreed to Pay Costs Exceeding Ballpark Budget. The Washington Post. Retrieved from www.washingtonpost.com/wp-dy n/content/article/2005/12/17/A R2005121701235_pf.html

Rolnick, A. and Grunewald, R. (2007). The Economics of Early Childhood Development as Seen by Two Fed Economists. Federal Reserve Bank of Minneapolis. Retrieved from http://www.nmecdp.org/downloads/Grunewald-EconomicsofECD.pdf

Rosentraub, M. (1997). Stadiums and Urban Space. In R. G. Noll and A. Zimbalist (Eds.), *Sports, Jobs, and Taxes: The Economic Impact of Sports Teams and Stadiums* (pp. 178–207). Washington, D.C.: Brookings Institution Press.

Rosentraub, M. S. (2010). *Major league winners: Using sports and cultural centers as tools for economic development*. Boca Raton, FL: CRC Press.

Ross, J. (2012). Ohio County Stadium Debts Force Government to Sell Hospital, Raid Savings. Huffington Post. Retrieved from http://www.huffingtonpost.com/2012/03/16/ohio-county-stadium-debts-cincinnati-bengals-reds_n_1347733.html

Rovell, D. (2012). Packers season-ticket list requires patience. ESPN. Retrieved from http://espn.go.com/blog/playbook/dollars/post/_/id/1744/packers-season-ticket-list-about-dreams

Santo, C. A. (2007). Beyond the Economic Catalyst Debate: Can Public Consumption Benefits Justify a Municipal Stadium Investment? *Journal Of Urban Affairs*, *29*(5), 455–479. doi:10.1111/j.1467-9906.2007.00360.x

Sharockman, A. (2008). The price tag on Tropicana Field. Tampa Bay Times. Retrieved from http://www.tampabay.com/news/localgovernment/the-price-tag-on-tropicana-field-23335972067--so-far/414158

Siegfried, J., & Zimbalist, A. (2000). The economics of sports facilities and their communities. *The Journal of Economic Perspectives*, 95–114.

Szymanski, S. (2010). *The Comparative Economics of Sport*. Palgrave MacMillan.

State of California, Employment Development Department. (n.d.). *Measures of Income Data Search Tool*. State of California, Employment Development Department. Retrieved from http://www.labormarketinfo.edd.ca.gov/cgi/dataanalysis/incomeReport.asp?menuchoice=income

Taks, M., Kesenne, S., Chalip, L., Green, C., & Martyn, S. (2011). Economic Impact Analysis versus Cost Benefit Analysis: The Case of a Medium-Sized Sport Event. *International Journal of Sport Finance*, *6*(3), 187–203.

Taschler, J. (2012). Ref's call in Packers game could penalize state's businesses. Journal Sentinel. Retrieved from http://www.jsonline.com/business/refs-blown-call-could-penalize-states-retail-hospitality-businesses-sm70b00-171196661.html

Tucker, T. (2012). Fans pay the price for new stadiums. The Atlanta Journal-Constitution. Retrieved Nov. 22, 2012, from http://www.ajc.com/news/news/local/fans-pay-the-price-for-new-stadiums/nQT7T/

Turner, R. S., & Marichal, J. F. (1998). Exploring politics on the sports page: The role of local media in sports stadium developments. *Policy Studies Review*, *15*(1), 31.

Turnkey Sports, L.L.C. (2003). *Phase 2 Analysis of a Sacramento Sports & Entertainment District.* Turnkey Sports, L.L.C. Retrieved from http://www.cityofsacramento.org/SED/SED.htm

US Government Printing Office. (2007). Professional Sports Stadiums: Do They Divert Public Funds from Critical Public Infrastructure?. Subcommittee on Domestic Policy of the Committee on Oversight and Government Reform. Retrieved Nov. 7, 2012, from http://www.gpo.gov/fdsys/pkg/CHRG-110hhrg51756/html/CHRG-110hhrg51756.htm

US Senate Committee on the Judiciary. (n.d.). Recess Reading: An Occasional Feature From The Judiciary Committee—Professional Sports and Federal Antitrust Law. Judiciary Committee. Retrieved Nov. 7, 2012, from http://www.judiciary.senate.gov/about/history/SportsAntitrust.cfm.

Van Riper, T. (2010). New Medowlands a Hit for All. Forbes. Retrieved from http://www.forbes.com/sites/tomvanriper/2010/09/13/new-meadowlands-a-hit-for-all/

Voisin, A. (2012). KINGS - Don't go anywhere: Stage is set for team's new home - TEAMWORK PRODUCES AN AGREEMENT. Sacramento Bee.

Vellinga, M. and Hardy, T. (2006). Arena backers say they'll keep trying. Sacramento Bee. Retrieved from http://infoweb.newsbank.com.proxy.lib.csus.edu/iw-search/we/InfoWeb?p_product=NewsBank&p_theme=aggregated5&p_action=doc&p_docid=1154ADE4F0EBD1A8&p_docnum=18&p_queryname=8

Vellinga, M. and Sangree, H. (2006). Maloofs respond to arena plan - But details of proposal -- and their reaction -- remain unknown. Sacramento Bee. Retrieved from http://infoweb.newsbank.com.proxy.lib.csus.edu/iw-search/we/InfoWeb?p_product=NewsBank&p_theme=aggregated5&p_action=doc&p_docid=114C6CF3FB55E930&p_docnum=24&p_queryname=8

Weiner, R. (2004). Financing Techniques and Stadium Subsidies in the United States. The Society of Urban Technology, 11(2). Retrieved Nov. 7, 2012, from http://www.geocities.ws/ccnyeconprof/StadiumFinancialTechnology.pdf

Weingartner, T. (2012). Stadium fund covered for another year. WVXU Cincinnati Public Radio. Retrieved Nov. 23, 2012, from http://wvxu.org/post/stadium-fund-covered-another-year

Weiss, A. (1993). *Money games: The business of sports.* Boston, MA: Houghton Mifflin.

Woolsey, M. (2008). Specious in Seattle. Forbes. Retrieved from http://www.forbes.com/2008/06/25/seattle-supersonics-nba-biz-sports-cx_mw_0625seattle.html

Zimmerman, D. (1997). Subsidizing Stadiums: Who Benefits, Who Pays?. In R. G. Noll and A. Zimbalist (Eds.), *Sports, Jobs, and Taxes: The Economic Impact of Sports Teams and Stadiums* (pp. 119-145). Washington, D.C.: Brookings Institution Press.