★ Chapter Seven ★

Loot, Loot, Loot for the Home Team

> The pride and the presence of a professional football team is far more important than 30 libraries.
>
> —*Art Modell, owner of the Cleveland Browns (later the Baltimore Ravens) football team*[1]

Americans have a love affair with professional sports, and, as with other types of romance, we like to spend money on the relationship. Total outlays on big-league sports—tickets, advertising, broadcast rights, and so on—are well in excess of $100 billion a year.[2]

Yet not only private funds are involved. In cities across the country, taxpayer dollars have been used to help finance the construction of expensive new stadiums. Compilations prepared by the National Sports Law Institute of Marquette University Law School show that public funding has, in fact, become the norm. The Institute's profiles of the stadiums or arenas used by the 92 teams in the three major sports (football, baseball, and basketball) indicate that 83 of them—or more than 90 percent—were built to some degree with public money. Among those, the public paid a majority of the cost in 63 cases, including 32 instances in which taxpayers footed the entire bill.[3] The grand total of public money used in building the 83 subsidized stadiums has been roughly $10 billion.[4]

Politicians of all stripes are taken in by the assumption that the presence of a professional sports team is a leading contributor to the vitality of cities and thus presumably a generator of new jobs. So strong is this notion that public officials are willing to give team owners subsidies that go far beyond what other private-sector businesses can hope for. Companies are generally satisfied with tax breaks, low-cost financing, or some infrastructure improvements around their property. Team owners expect taxpayers to pay most—or *all*—of the cost of new stadiums, which these days cost several hundred million dollars apiece.

The Brooklyn Threat

How is it that scarce public resources came to be used to finance construction of new facilities for what are typically quite profitable local monopolies? The origins of the practice can be found in the 1950s. Until then, team owners paid for their own stadiums, with the exception of a few—such as the Los Angeles Coliseum and Chicago's Soldier Field—that were built with public funds as part of efforts to lure the Olympic Games. In 1953, in the first team relocation in major league baseball in half a century, the Boston Braves moved to Milwaukee, where a new stadium had been built for the team with public money.[5]

The Braves' move paved the way to an era of footloose franchises, but a more significant event came a few years later, in 1957, when Walter O'Malley, owner of the Brooklyn Dodgers, announced plans to move the baseball team to the West Coast. After having failed to strike a deal with public officials in New York for a new stadium to replace the cramped Ebbets Field, O'Malley decamped to Los Angeles, where he was greeted with open arms (and free land and infrastructure improvements).[6]

It's been said that Brooklyn never recovered—psychologically or economically—from the departure of the Dodgers. This image of a community crippled by the departure of a sports franchise has been put to good use by team owners around the country, who bully public officials with threats to move out of town. Whereas O'Malley himself was vilified for absconding with the Dodgers, these days local politicians worry that they will be held responsible for losing a popular team by failing to meet the owner's financial demands. In *Field of Schemes,* a compelling critique of stadium subsidies, Joanna Cagan and Neil deMause write: "It's difficult to find a major U.S. city that hasn't been cajoled, threatened or blackmailed into building a new sports palace."[7]

The dynamics of owner manipulation are perhaps best illustrated by a sequence of events that began in 1984, when Baltimore Colts owner Robert Irsay packed up the team and moved to Indianapolis, where a domed football stadium had been built with public money even before there was a tenant to use it.[8] Irsay, who had previously pressured Baltimore to spend $25 million on improvements to Memorial Stadium, turned his back on the city and signed a lucrative low-rent deal with Indianapolis.

Shaken by the loss of the Colts, officials in Maryland decided to give the Baltimore Orioles baseball team, which had shared Memorial Stadium with the Colts, just about anything it wanted. This turned out to be a $235 million new stadium devoted exclusively to baseball that opened in 1992. Yet the city fathers still yearned to fill the void that had been left by the Colts. They accomplished this by making a deal with Art Modell, owner of the Cleveland Browns, who agreed to come to Baltimore in exchange for a promise to build the team (which became known as the Ravens) a spanking new stadium adjacent to the Camden Yards baseball field. Modell became notorious for saying—in the quote that opens this chapter—that government should make retention of a sports team a greater priority than providing public access to books.

Cleveland, whose voters had been pressured in 1990 to approve a "sin tax" on alcoholic beverages and tobacco products to finance a new baseball stadium for the Indians, later won an expansion franchise for a new football team (which took the Browns name)—and, of course, the city agreed to pay some $240 million toward the cost of a stadium for its new gridiron heroes.

And so it goes. Time and again, cities have succumbed to implicit or explicit threats by team owners. In some cases public officials are the ones manipulating public opinion. In his 2000 book *Stadium Games,* Minneapolis *Star Tribune* reporter Jay Weiner quoted public officials as admitting that *they* had fabricated a threat by the Minnesota Twins to move to North Carolina, in an effort to get state legislators to vote on a publicly funded stadium for the team.[9]

These days, politicians are inclined to take it for granted that public money will play a central role in new stadium projects and that this will somehow result in additional jobs. Washington, DC, mayor Anthony Williams, for example, did not hesitate to offer up a stadium funded mostly with public dollars as part of the 2004 deal with major league baseball to relocate the struggling Montreal Expos to the nation's capital. Some members of the DC council balked at the obligations being taken on by the city in the project, whose estimated costs ranged up to nearly $600 million, but in the end they, too, ended up approving a plan that would use tax revenues to pay for a large portion of the costs.[10]

Faith-Based Stadium Economics

Public officials' fear that they will be held responsible for losing a team is not the only motivation for stadium deals. Subsidies to sports franchises are also justified in terms of job creation. As with other forms of government-assisted investment, proponents of publicly funded stadiums have tried to make the case that these sports palaces are job generators.

This is a difficult case to make. A professional sports team does not operate on a continuous, year-round basis. Each sport is limited to its season, and half the games are played out of town. The most egregious example is football, with games played only once a week for five months. A stadium devoted exclusively to professional football will be in use for the game only about ten days a year.

Then there's the question of the quality of the jobs created. Aside from the small number of athletes with astronomical salaries, the jobs directly associated with stadiums tend to be part-time, intermittent positions with low wages and few benefits. Hawking hot dogs and beer or cleaning up after the fans go home is not a surefire route to prosperity. Stadium construction does generate better-paid work for masons, carpenters, electricians, and the like, but this is of limited duration. The construction jobs evaporate once the stadium is built.

For these reasons, subsidy supporters tend to focus on the *indirect* job-creation impact of stadiums. Team owners pay consulting companies to write reports—or get government agencies to do it for free—estimating how much new economic activity will be generated at bars, restaurants, and other establishments catering to the stadium crowds, as well as estimating the impact of their expanded payroll and purchasing on other businesses.

These reports usually involve some dubious assumptions. For example, in a 1999 report on the expected economic impact of a new stadium in Boston to replace Fenway Park, C. H. Johnson Consulting Inc. assumed that visitors coming to the new facility would spend 20 percent more outside the ballpark than those who visited Fenway.[11] The report's rosy scenario, which included an increase of more than 3,000 jobs, may have had something to do with the fact that the analysis was commissioned by the Greater Boston Convention and Visitors Bureau and the Greater Boston Chamber of Commerce.

Probably the most optimistic estimate of total additional employment was the figure of 10,000 jobs bandied about when the San Francisco 49ers were seeking support for a new taxpayer-financed stadium in 1997. Yet that number consisted almost entirely of temporary construction employment and the thousands of low-wage retail jobs created by the "mega-mall" that 49ers owner Edward DeBartolo wanted to build adjacent to the stadium.[12]

Another common problem with studies justifying stadium subsidies is that they assume all of the dollars spent at the facility are new to the region's economy. In fact, that is only true for those fans who come from far away. Most dollars spent at stadiums are dollars that would have been spent on other leisure activities in the area. You and

I do not have more money and time for fun just because we have another choice in how to spend them.

Economic projections also tend to overlook jobs that might be *eliminated* as the result of a new stadium. For example, construction of the much celebrated Camden Yards baseball stadium in Baltimore required the dislocation of a group of manufacturing businesses that together employed about 1,000 people.[13]

In sum, the projections made by team owners and their paid consultants in support of stadium subsidies are little more than vague or arbitrary promises about job creation and economic stimulus. These cost-benefit analyses rest on faith-based economics: proponents ask the public, in essence, to *believe* that the subsidies will pay off.

This quasi-religious theme was evident in 1997 during a campaign to win public support for a regional sales tax increase in Pittsburgh to finance new stadiums, each costing more than $200 million, for the Pirates and the Steelers. At an event sponsored by the baseball and football teams, U.S. senator Rick Santorum declared: "I know I'm preaching to the choir, but it's time for the choir to start singing." Sounding, according to the account in the *Pittsburgh Post-Gazette,* "more like an old-time evangelist than a politician," Santorum urged the audience to promote the tax at their churches and civic organizations.[14]

It's not often that you hear a right-wing politician urging a mobilization of religious groups in favor of a tax increase, but that's typical of the topsy-turvy politics surrounding the use of public resources to subsidize the business of professional sports. Conservatives embrace tax-and-spend fiscal policies, and liberals endorse giveaways to big business—all in the pursuit of stadium-based economic development.

Not Much Bang for the Bucks

If we go beyond anecdotal information to more formal academic analyses, the results are no different. The overwhelming majority of studies conclude that stadium subsidies do not pay off in terms of economic growth or job creation. The limited number of jobs that might be created exact a high cost from taxpayers—often well above $100,000 each.[15]

This theme of stadium subsidies as a bad investment for cities permeated the most extensive scholarly volume on the subject—*Sports, Jobs, and Taxes,* a 500-plus page anthology published by the Brookings Institution. In their opening chapter, Roger Noll and Andrew Zimbalist conclude that new sports facilities "rarely, if ever, are worthwhile. Sometimes they can be financially catastrophic."[16]

In another chapter of the volume, Robert Baade and Allen Sanderson analyze economic trends in ten metropolitan areas where new stadiums had been built. Overall, they find that professional sports teams tended to "realign economic activity within a city's leisure industry rather than adding to it."[17] In other words, all that public subsidies accomplished was to help shift spending from other forms of entertainment to the stadium, with little in the way of net employment gain. "Professional sports," they write, "are not a major catalyst for economic development."[18]

The Brookings volume also includes case studies of stadium subsidies in several cities, including two of those discussed above—Baltimore and Cleveland, both of which are sometimes claimed to be exceptions to the idea that public investments in stadiums are bad deals for cities. In an analysis of the Camden Yards, Bruce Hamilton and Peter Kahn find that the economic benefits generated by the stadium are far outweighed by the cost to the taxpayers of Maryland.[19] A study by Ziona Austrian and Mark Rosentraub of the early years of Cleveland's Gateway Complex, which encompasses the Jacobs Field baseball stadium and the Gund Arena basketball facility, concludes that there were some economic benefits, but they came at a very high price—more than $200,000 in taxpayer funds for each additional job.[20]

The findings in the Brookings volume are not unique. In a later review of numerous other studies on the subject, John Siegfried and

Andrew Zimbalist write: "Few fields of empirical economic research offer virtual unanimity of findings. Yet, independent work on the economic impact of stadiums and arenas has uniformly found that there is no statistically significant positive correlation between sports facility construction and economic development." The authors note that the results of academic research "stand in distinct contrast to the promotional studies that are typically done by consulting firms under the hire of teams or local chambers of commerce supporting facility development. Typically, such promotional studies project future impact and almost invariably adopt unrealistic assumptions regarding local value added, new spending, and associated multipliers."[21] In other words, the consultants and team owners are peddling snake oil.

Who's Winning?

If taxpayers are footing the bill and the local workforce is not enjoying a boon, then the question is: cui bono? Who is benefiting from stadium subsidies?

The obvious winners are the owners of the teams that inhabit the stadiums erected at public expense. These owners are hardly in need of public assistance. About two dozen of them appear on the *Forbes* list of the 400 wealthiest Americans, with a net worth of more than $750 million each. Paul Allen, owner of the Seattle Seahawks and the Portland Trail Blazers, is said by *Forbes* to be worth $20 billion, making him the third richest person in the country.[22]

Forbes also calculates the current value of franchises in the major sports leagues. The magazine estimates that the most valuable football team, the Washington Redskins, is worth $1.1 billion; the most valuable baseball team, the New York Yankees, is worth $832 million; and the most valuable basketball team, the Los Angeles Lakers, is worth $510 million. For many teams, these amounts have risen smartly in recent years. The value of the Yankees, for instance, has more than doubled since 1998.[23]

New stadiums built at taxpayer expense do a lot to boost franchise values. The Baltimore Orioles, for instance, changed hands for $70 million in 1989, before Camden Yards was completed. In 1993, after the well-received stadium was in operation, the team was resold for $173 million, an increase of 147 percent in only four years.[24] Cases such as these are consistent with a statement made more than a half-century ago by Cleveland Indians owner Bill Veeck: "You don't make money operating a baseball club. You make money selling it."[25] Today, owners may also make money on operations, but selling remains a sure thing.

If you don't believe it, just ask the president of the United States. In 1989 George W. Bush, fresh from an undistinguished stint in the energy business, spent about $600,000 to buy a small stake in the Texas Rangers baseball team while agreeing to serve as a managing general partner. Before long, Bush and his co-investors got voters in the Rangers' home town of Arlington to approve a sales tax increase to pay more than two-thirds of the cost of a lavish new $191 million stadium and a surrounding development that included an amphitheater, shops, and restaurants. The lucrative deal allowed the Rangers to collect rent from all the nearby facilities. Bush and his partners did not even have to provide their share of the construction costs up front. Instead, they borrowed the amount from the public authority in charge of financing the stadium, which was grandly named The Ballpark in Arlington.[26]

Bush dismissed charges that these arrangements were a giveaway to private interests. "Corporate welfare has this sinister tone to it," he said in 1994. "This project has been totally scrutinized, put before the people of Arlington, and voted for overwhelmingly."[27]

Bush stuck to that line during his successful gubernatorial campaign in 1994 and again in 1998, when he and his partners sold the team to leveraged buyout investor Thomas Hicks for $250 million. This was three times its 1989 value, an increase attributable in significant measure to the new taxpayer-subsidized stadium. Bush, still governor, came away from the sale with a profit of $14.9 million (thanks to an enhancement in his share because of his management role). The *New York Times* later wrote that it was due to the whole Arlington stadium experience that Bush "acquired not only wealth but also the resume he would need to triumph in politics."[28]

It is sobering to think that the current political climate of the entire United States—indeed, the current world situation—can be traced back to a single subsidized sports facility. Not all stadium subsidies have quite that global an impact, but it is clear that scores of team owners have exploited America's devotion to professional sports to enrich themselves and contribute very little to the economies of the communities in which they operate.

Too Many Convention Centers

The dubious economics behind stadium subsidies are replicated in cities across the country when it comes to another big-ticket facility—convention centers. Like professional sports, conventions are sold as a way to lure large numbers of free-spending visitors to struggling downtown areas. Consultants—often the same ones who analyze stadium deals—produce reports arguing that this infusion of money into hotels, bars, and other hospitality businesses will greatly boost tax revenues and create substantial numbers of new jobs.

This vision of convention-induced development has prompted city governments to double their capital spending on convention centers over the past decade, reaching an average of more than $2 billion annually. In early 2005, some 40 cities were planning or building at least six million additional square feet of convention space.[29]

It's true that this build-up targets an entirely different market than stadiums serve. Each professional sports franchise is a local monopoly, so stadiums are captive; cities, however, compete for a share of the national convention market. If that market were steadily expanding, then it might make sense for cities to increase their convention center investments.

But the market is *not* growing rapidly. Professor Heywood Sanders of the University of Texas at San Antonio has done a careful study showing that overall national attendance at conventions and trade shows has generally been on the decline since the mid-1990s. He refers to conventions as a "faltering industry."[30] Such weakness means that fewer jobs are created either in the convention centers themselves or in the surrounding hospitality sector.

To bolster his case, Sanders looks at attendance for centers in leading convention cities such as Chicago, New York, Atlanta, and New Orleans. In each case, the numbers are down from the mid-1990s, despite numerous expansions in exhibit space. At the Morial Convention Center in New Orleans, for example, attendance is down more than 40 percent since a peak in 1999.[31]

The bottom line: an increasing number of ever-larger convention centers are chasing fewer events and dollars. Given that convention centers are usually publicly owned, government spending on these facilities does not constitute a direct giveaway to the private sector. Yet, as with stadiums, this use of scarce public dollars to build and operate expensive facilities is creating few good jobs.