Sports Stadiums and Area Development: A Critical Review

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Should local governments subsidize the construction and operation of sports stadiums? This is being debated in cities throughout North America, and several factors have conspired to elevate this issue to headline status. Local government officials, burdened by the deteriorating financial health of their cities, have sought ways to mollify critics. Since some political strategists have argued that the presence of professional sports imparts economic prosperity, some local political leaders have hitched their wagons to the sports star. But is professional sports a panacea for sagging urban economic fortunes? Many are skeptical that subsidizing sports stadiums is worth the costs. We examine published and unpublished literature as well as our own research to chronicle, analyze, and critique the use of publicly financed sports stadiums as a vehicle for economic progress. We provide information for both the academic and the practitioner on the types of questions that should be posed when making decisions about stadiums. In the first section we detail and analyze the recent history and future plans for city financial involvement in sports stadium projects. We discuss the costs and benefits of stadium-based development rationale in the second section, and the next section analyzes its validity. Factors that may prove decisive in determining the economic success of an individual stadium project are observed in the fourth section, and the last section concludes the article.

PUBLIC SUBSIDIZATION OF SPORTS STADIUMS: A RECENT HISTORY AND FUTURE PROSPECTS

Public subsidy of professional sports comes in a variety of forms. By some estimates, 95% of the value of a franchise is economic rent that is the result of team monopoly and monopsony advantage imparted by legislation.1 There are also important implicit subsidies in federal income tax accounting rules.2 Even privately owned stadiums receive subsidies in the form of property tax abatements or publicly financed access improvements. We will focus on subsidies in the form of publicly owned stadiums that are made available to teams on terms that do not cover the full costs to the city. Of the 94 stadiums used by professional football, baseball, hockey, and basketball teams since 1953, 67 are publicly owned.3 The more recent the construction, the greater the incidence of public ownership.

The city-owned stadiums do not yield revenues that cover costs. Benjamin Okner examined data on 20 publicly owned baseball and/or football stadiums for the 1970-71 season.4 He found that when the roughly three-quarters of stadium costs that are for debt service are

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The incidence of owner "extortion" is increasing for a number of reasons. Among them, perhaps, is the recognition by owners that politicians who fail on glamour issues like sports may be politically vulnerable. A mayor's political stock rises substantially if the mayor secures a professional sports presence and falls just as rapidly if his or her name is associated with the loss of a team. During Chicago's most recent mayoral campaign there was much speculation about what a White Sox move would do to Mayor Harold Washington's chances for reelection. Perhaps no one has stated as succinctly what underlies the fear of a franchise loss than Merlin E. Dewing who headed Minnesota Governor Rudy Perpich's task force of revitalizing the state's economy. Dewing commented: "It's almost worse for a city's image to lose a major league team than to have never had one at all."

Not all of the pressure is on the pro-stadium side of the issue. There is a growing taxpayer resistance to the demands of sports owners and the public officials who support them. Mayors in large and small cities have had their political position put to the test by stadium controversy. The mayors of San Francisco, San Antonio, Baltimore, Oklahoma City, and Columbus, to name a
few, have been criticized for their stadium proposals. The two-term mayor of South Bend, Indiana, lost his job, at least in part, because of his dogged determination to build a rather expensive stadium for a Class A baseball team. There are a number of factors contributing to taxpayer resistance.

First, voters have seen the high cost of stadium subsidies in other jurisdictions. When word was spread that taxpayers in Louisiana and Michigan were subsidizing the New Orleans Superdome and Pontiac Silverdome for annual amounts in excess of $3 million and $1 million, respectively, taxpayer resistance galvanized elsewhere in North America. Stadium referendums failed more than once in Miami and Cleveland. Civic groups have expressed opposition to stadium construction in New York, Chicago, Atlanta, and other cities where stadiums have been proposed.

Second, the same fiscal pressures that motivate the search for development projects bring greater scrutiny on public capital budgeting decisions. Capital spending at all levels of government has been declining for more than two decades. Measured in constant 1972 dollars, state and local capital investment has fallen 37% between 1968 and 1982. In per capita terms, state and local public works investment declined from $179 per person in 1968 to $96 per person in 1982. This overall decline in local government capital expenditure brings a big capital expenditure, such as a stadium, under greater scrutiny. Sports stadiums are viewed by some as having a much lower priority than school, sewer, and road projects.

A third factor contributing to polarization on the stadium issue relates to the distribution of benefits from the stadium subsidy. The primary direct beneficiaries are the owners of professional sports teams and players. Compensation of the owners and athletes is seen by many as excessive. A subsidy using an increasingly scarce public resource to increase compensation for groups already overcompensated is bound to arouse public ire.

Fourth, taxpayers have been angered by the arrogance shown by owners threatening to move the franchise if the city does not accede to demands for a stadium subsidy. When pressed, even some team owners will admit that certain constraints should be placed on the mobility of professional sports franchises. Ted Turner, a prominent owner, noted: "What I personally think is that when a city is going to build a stadium that requires millions of dollars of long-term funding and they do it to for a team, they ought to make that team, at the time they do the funding and build the stadium, sign a lease that it would at least cover the amortization of the stadium." It is often the case that teams will not agree to such an arrangement. For example, the city of Cleveland offered to help build a domed stadium for the Indians baseball team. When the owners of the Indians would not agree to sign a lease for longer than five years, Cleveland withdrew the offer.

The challenge facing public officials is enormous. They are caught between the demands imposed by that segment of their constituency that sees the necessity of pandering to the aggressive sports entrepreneurs, who never unpack the team’s bags, and that portion of the voting public that deprecates the special treatment accorded these sports carpetbaggers. To date, this challenge has inspired two strategies. First, there has been an attempt to convince the public that the economic benefits that teams and stadiums create justify the massive public expenditure. The second strategy involves asking the team to more evenly share the expense in building their own playing facility.

When teams cooperate in sharing stadium construction costs, it is because it is in their financial interest to do so. If team movement from the largest metropolitan areas is not constrained by loyalty to fans, it is constrained by economics. Revenue from broadcast rights and gate receipts limit nomadic urges. There is a further inducement arising out of the changing economics of professional sports. With broadcast revenues leveling off, owners have searched for new sources of revenue. In this regard, the sale or leasing of luxury seating holds significant promise. Such seating is likely to command the highest prices where competition for it is keenest. This is most likely to occur where the largest metropolitan areas host the winningest franchises. In addition, private, as opposed to public, control of the stadium will ensure greater private control over revenues generated by the sale of premium seats. This is not to say that a team
cannot cut a deal with a city that would allow it to appropriate all luxury seat revenues, while the city assumes financial responsibility for stadium construction.

The promise of preferred seating has been brought to fruition in Miami. Miami Dolphins owner Joe Robbie has used the concept of luxury seating to build privately the stadium that the City of Miami would not. Revenues from leasing luxury boxes and preferred "Club" seats will generate more than $11 million in revenues annually. Revenues from this source rival the $17 million plus each NFL team receives from the league's television contract. Robbie's success at marketing these seats enabled him to parlay the up-front cash into the bank financing necessary for actual stadium construction. Both Donald Trump, a private principal in the development of a domed stadium in New York, and Michael McCaskey, President of the Chicago Bears, have long been sold on the idea that Robbie has implemented. While the location of the new Bears stadium is uncertain, two things are clear: It will be built eventually and it will contain as many elite seats as possible. Says Tim LeFevour, the Chicago Bears director of stadium operations: "It's [luxury seating] definitely the wave of the future. It is a great concept."

More than 20 cities in the United States and Canada are planning or are actually building new sports stadiums or arenas. In explaining this interest in stadium construction, several things cannot be ignored. First, there are cultural imperatives. Sports occupies a significant place in North American culture. The construction of monuments that reflect and showcase culture is entirely consistent with human behavior throughout history and across cultures. The immediate impetus to stadium activity has been provided by metropolitan center fears that their image will be tarnished and an economic opportunity will be lost if they do not provide the change for cultural enrichment through major league sports. Coincidentally, sports entrepreneurs have been agitating as never before for new accommodations because of the revenue that promises to flow from elite seating that can be emphasized and controlled in the design of a new ballpark. Thus, as long as taxpayers cooperate, cities feel compelled to accept Pascal's Wager applied to stadiums: Cities have to believe in a stadium god because they cannot take the chance there is not one.

Table 1 shows the stadium plans for the 60 largest MSAs in the United States. Despite the controversy surrounding the economics of stadiums, 20 of the 60 largest metropolitan areas have stadium plans. When the dual stadium plans of Atlanta, Baltimore, and Chicago are considered, the top 20 metropolitan areas will be constructing 11 stadiums. All of these top-20 cities have existing stadiums that accommodate professional football or baseball. It is clear that there is intense pressure to improve or modify current stadiums. One fact that amply demonstrates the growing emphasis on stadiums as a development tool is that two cities, Baltimore and San Antonio, which did not report an interest in stadium construction in a 1986 poll, are seriously planning stadiums in 1987.

Another trend that is suggested by the data recorded in Table 1 relates to financing. Instead of exclusive public financing of stadiums, an amalgam of public and private interests are financing stadium construction. This does not mean, however, that the public commitment has been reduced either in an absolute sense or as a fraction of their capital budgets. When infrastructure, land acquisition, and residential and commercial relocation expenses are considered, a city's contribution to a stadium project can quickly exceed $100 million. Expressed as a fraction of city capital expenditures, a $100 million outlay constitutes fully 65% of the capital budget for New York City. Furthermore, when all costs are considered, stadiums that could have been built for under $100 million in the 1970s or early 1980s cannot be built for that now. For example, using construction cost indexes published by the Department of Commerce, the Superdome in New Orleans that cost approximately $163 million in 1975 would cost closer to $400 million to construct in 1987. The Pontiac Silverdome cost $52 million to build in 1975, but today its cost would exceed $100 million.

One other fact that clouds the stadium financial picture relates to stadium design. Cities anxious to flex their municipal muscle for all the world to see have opted for the grand stadium design over the "vanilla" version. North American culture, with its emphasis on technique and a
### TABLE 1  
Stadium Plans for Largest Metropolitan Areas in the United States

<table>
<thead>
<tr>
<th>Cities in Top 60</th>
<th>1985</th>
<th>Do Stadium Plans Call for Dome?</th>
<th>Seating Capacity</th>
<th>Sport(s) Designed to Retain/Attract/Serve</th>
<th>Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSAs with Stadium Plans</td>
<td>Rank</td>
<td>Yes</td>
<td>82,000</td>
<td>Football</td>
<td>Combination: ½ private; ½ public</td>
</tr>
<tr>
<td>New York, NY</td>
<td>1</td>
<td>No</td>
<td>45,000</td>
<td>Baseball</td>
<td></td>
</tr>
<tr>
<td>Chicago, IL</td>
<td>3</td>
<td>No</td>
<td>75,000</td>
<td>Football</td>
<td></td>
</tr>
<tr>
<td>San Francisco, CA</td>
<td>4</td>
<td>No</td>
<td>42,000</td>
<td>Baseball</td>
<td></td>
</tr>
<tr>
<td>Miami, FL</td>
<td>11</td>
<td>No</td>
<td>70,000</td>
<td>Football</td>
<td></td>
</tr>
<tr>
<td>Cleveland, OH</td>
<td>12</td>
<td>Yes</td>
<td>50,000</td>
<td>Baseball</td>
<td></td>
</tr>
<tr>
<td>Atlanta, GA</td>
<td>13</td>
<td>No</td>
<td>73,000</td>
<td>Football</td>
<td></td>
</tr>
<tr>
<td>Baltimore, MD</td>
<td>17</td>
<td>Yes</td>
<td>60,000</td>
<td>Football</td>
<td></td>
</tr>
<tr>
<td>Tampa Bay/ St. Petersburg, FL</td>
<td>20</td>
<td>Yes</td>
<td>46,000</td>
<td>Baseball</td>
<td></td>
</tr>
<tr>
<td>Phoenix, AZ</td>
<td>21</td>
<td>Yes</td>
<td>Uncertain</td>
<td>Football</td>
<td></td>
</tr>
<tr>
<td>Milwaukee, WI</td>
<td>24</td>
<td>Yes</td>
<td>20,000</td>
<td>Basketball/Hockey</td>
<td></td>
</tr>
<tr>
<td>Columbus, OH</td>
<td>29</td>
<td>Yes</td>
<td>Uncertain</td>
<td>Football</td>
<td></td>
</tr>
<tr>
<td>Sacramento, CA</td>
<td>30</td>
<td>No</td>
<td>55,000</td>
<td>Football/Baseball</td>
<td></td>
</tr>
<tr>
<td>San Antonio, TX</td>
<td>31</td>
<td>Yes</td>
<td>65,000</td>
<td>Football</td>
<td></td>
</tr>
<tr>
<td>Indianapolis, IN</td>
<td>32</td>
<td>No</td>
<td>Uncertain</td>
<td>Baseball</td>
<td></td>
</tr>
<tr>
<td>Buffalo, NY</td>
<td>33</td>
<td>Yes</td>
<td>20,000</td>
<td>Baseball</td>
<td></td>
</tr>
<tr>
<td>Charlotte, NC</td>
<td>35</td>
<td>Yes</td>
<td>25,000</td>
<td>Basketball</td>
<td></td>
</tr>
<tr>
<td>Oklahoma City, OK</td>
<td>39</td>
<td>Yes</td>
<td>75,000</td>
<td>Football</td>
<td></td>
</tr>
<tr>
<td>Orlando, FL</td>
<td>46</td>
<td>Yes</td>
<td>14,000 to 17,000</td>
<td>Hockey/Basketball</td>
<td></td>
</tr>
<tr>
<td>Albany, NY</td>
<td>47</td>
<td>Yes</td>
<td>15,000</td>
<td>Hockey/Basketball</td>
<td></td>
</tr>
<tr>
<td>Scranton, PA</td>
<td>52</td>
<td>Yes</td>
<td>8,000 to 10,000</td>
<td>Baseball</td>
<td></td>
</tr>
</tbody>
</table>

monumentalism, has clearly influenced stadium design. Consider this observation as it relates to three of North America’s largest cities. Toronto is building a stadium with the world’s first retractable dome. The dome alone is expected to cost $90 million. If New York can attract an NFL franchise, the private and public sectors will be equal partners in building a domed stadium priced at approximately $290 million. One stadium complex proposal reviewed (and rejected) by Chicago’s stadium task force in 1985 had a price tag of $700 million!

Of course, many of these figures significantly underestimate the actual cost of production. When land acquisition, legal, and relocation costs are truly represented, the final bill is usually a multiple of the original estimate. The earliest, and most primitive, estimates for the New Orleans Superdome were between $30 and $40 million. The Superdome’s final bill was in excess of $160 million. Only occasionally have stadium construction costs conformed to budget. A skeptic might suggest that optimistic construction costs are presented at the beginning of the process to make the project more palatable for taxpayers.

Still, officials need to provide a rationale for the stadium development. The next section of this article identifies and discusses some of the benefits and costs of stadium-based development. The benefits will be those included in the rationale of stadium boosters.
THE BENEFITS AND COSTS OF STADIUM-BASED DEVELOPMENT

It is fairly easy to identify the obvious direct private gainers from a stadium development project: the franchise owners and the developers. Those who are displaced by the project are the obvious losers. This is similar to any big bang local development project. Such simple categorization helps in understanding the politics of the debate.

When we get past these obvious groups, there are interests that indirectly receive both benefits and costs and where projections are more difficult. The local government, of course, incurs capital costs for the stadium, but also faces capital costs for access roads and other infrastructure. Furthermore, the government has future costs for traffic and crowd control at stadium events. On the benefit side, the local government will receive direct revenues like rents and taxes on stadium concessions, which can be predicted to the extent that attendance projections are reliable. In most cases we have examined, calculation of the above enumerated direct costs and revenues result in a net loss for the municipal treasury. What happens is that decision makers become convinced that indirect revenues from increased property values and sales adjacent to the development or in the city as a whole will be substantial.

Business and residents in the area of the development receive both benefits and costs. Benefits might take the form of increased economic activity or increased property values. The potential for increased development in the neighborhood of the stadium is an important part of the stadium debate. It is easy for promoters to promise such gains and just as easy to be skeptical. The local costs of a new stadium are increased congestion in the area and bias in the types of business or residences that are compatible with a stadium—drawing large numbers of outsiders to the area on an intermittent basis. These neighborhood costs identify a political constituency that must be dealt with in each city’s debate.

Municipal businesses and residences outside the stadium neighborhood must also compare hard-to-predict benefits and costs. Stadium promoters may promise gains in the form of multiplier benefits from a net increase in area spending. Another benefit given substantial qualitative weight (but seldom quantified) by promoters is the attraction of unrelated business location decisions with the “big league” image of the city. Intangible benefits such as fan identification or civic pride are potentially important, but generally nonquantifiable.

There have been a number of attempts to quantify the impact of a team or a stadium on the local economy. This impact study literature is vast (some examples of the literature will be cited below), but usually prospective rather than retrospective, and usually limited to one site in one city. Many stadium proposal has some level of study done by developer-promoters, by government staffers, or by hired consultants. The range of depth and quality of these studies is enormous. Such prospective analysis requires assumptions about many things: future attendance, the locus (inside or outside the city) of all kinds of spending, and the appropriate magnitude of any multiplier effects. There is, therefore, considerable leverage between alternative assumptions and alternative results when researchers differ in skill or in predisposition toward the project.

A look at the range of multipliers across some of the studies is instructive. A study on the impact of the Pirates on the Pittsburgh area uses a multiplier of only 1.2 for goods and services and 1.6 for wages and salaries. They are even careful to include only wages paid to Pirate employees who actually live in Pittsburgh. A study commissioned by the Philadelphia Sports Consortium uses a multiplier of 1.7 obtained from independent research of the Wharton Econometrics model of Philadelphia. The author of a study of the impact of a Class A baseball stadium for South Bend, Indiana, represents as “conservative” a multiplier of 3.0. This, despite the well-established result that the smaller the city, the smaller the portion of spending that stays inside the area. A team-financed study on the impact of Chicago baseball asserts a multiplier of 3.2.

A major problem with the methodology of most impact studies is in the implicit assumption that all first-round spending attributable to team or stadium activities is net new
spending for the local area—either export sales or import substitutions. Spending on sports may merely redistribute preexisting local spending. What if the dollar spent at the stadium or the adjacent restaurant is merely one dollar less spent on entertainment elsewhere in the city?

The studies also differ in what benefits to include. Some are very conservative, only looking at identifiable team or fan spending; others include more speculative benefits. A study on the impact of retaining a baseball franchise conducted by the City of Chicago included an estimate of $3 million for "intangible" media exposure for the city, evaluated as the would-be cost of equivalent paid advertising. The South Bend study went so far as to argue that the "recreational" benefits of an urban baseball stadium will increase the value of adjacent properties similar to that found for land near a rural state recreation area.

There are questions about the first-round net benefits properly attributable to stadium activities; the proper size of any subsequent multiplier; the magnitude of business attraction from the "big league" image for the city; or other economic benefits for the sponsoring city. The next section of the article looks at some additional evidence on the validity of the stadium-based development rational.

THE VALIDITY OF THE STADIUM RATIONALE

There are two basic ways to evaluate the stadium rationale. First, a skilled researcher can evaluate in detail the data and assumptions of a promoter's impact study. Second, since the prospective examination of the development impact of a sports stadium is so sensitive to the researcher's assumptions, the debate can be served by a retrospective look at the development experience of different cities.

One of the best things written on the economics of stadiums is a hybrid of the academic, staff study, and journalistic literature. To react to two major stadium proposals in their area, the St. Louis Post-Dispatch commissioned James P. Quirk, a professor of economics at California Institute of Technology, to prepare a detailed critique of two promoter-prepared impact studies. He looks to the experience of other cities in questioning promoters' numbers on construction costs, attendance, ticket prices and demand, team-stadium revenue-sharing agreements, tax subsidies, interest rates, and more. He concludes that, in both studies, the promoters have significantly overestimated the benefit and underestimated the costs and risks to taxpayers. Quirk points out that the heroic assumptions of one impact study imply that "simply moving the Cardinals from Busch Stadium eight blocks to the new downtown stadium is supposed to increase the income of St. Louis residents by $29 million a year." In our own research we have employed regression analysis to examine the level of economic activity in a number of cities before and after a new major league franchise or a new or renovated stadium. In one paper we looked at personal income over time for nine metropolitan areas: Cincinnati, Denver, Detroit, Kansas City, New Orleans, Pittsburgh, San Diego, Seattle, and Tampa Bay. To control for both cyclical influences and forces acting on an entire multistate region, the dependent variable is specified as SMSA personal income as a percent of personal income in the corresponding multistate region. Independent variables control SMSA population relative to the region and for time trend. The hypothesis variables are dummy variables for the presence of a new or renovated stadium, the presence of a National Football League team, and the presence of a major league baseball team. If stadium subsidy proponents are correct in their claims, then we should be able to find a positive impact of a new stadium or new franchise on area income.

In the 9 separate equations for the individual cities, there are 14 variables for a change in a stadium or a sports franchise. Of these, 7 show an insignificant impact, only 2 show the hypothesized significantly positive relationship, and 5 indicate a significantly negative impact of a stadium or team on area income growth. The negative impact of a stadium on area development also showed up when all of the 9 cities were pooled in one regression. Similarly, a
pooled regression with SMSA retail sales relative to the region as the independent variable also yields a significantly negative estimate for the impact of a new or renovated stadium.\textsuperscript{25}

A possible explanation for this negative result is the argument that stadium-based development could bias the structure of the local economy and adversely affect growth. Consider the types of jobs that are closely related to stadium activities: ushers, vendors, bar and restaurant workers, bus and taxi drivers, parking lot attendants. If a stadium subsidy creates these types of low-skilled, seasonal and low-wage jobs, then this city might gain a comparative advantage in this sector relative to another locale that encourages high-skilled, productivity-oriented, and growth-producing jobs.

In another paper we employ similar methodology to test the hypotheses that sports-based development creates a “big league” image for the city that acts as a magnet for business location decisions. For each of eight different metropolitan areas (Buffalo, Cincinnati, Denver, Miami, New Orleans, San Diego, Seattle, and Tampa Bay) we look at three different measures of SMSA manufacturing activity relative to the region: manufacturing employment, manufacturing value added, and new capital expenditure. The control variables and the hypothesis variables are as previously defined. Of the 36 variables for a change in stadium or team status, 31 show an insignificant impact on metropolitan area manufacturing activity, only 4 show a significantly positive impact, and 1 shows a significantly negative impact.\textsuperscript{36}

This look at the evidence leaves us skeptical of the economic development rationale for stadium subsidies. Careful analysis of impact studies has identified systematically optimistic assumptions on both the cost and benefit sides. The positive impacts on area development touted by stadium promoters do not appear to be strong enough to show up in aggregate measures of economic activity for individual cities that have built stadiums or gained pro franchises.

\textbf{SUCCESSFUL STADIUM ENTERPRISE: SOME OBSERVATIONS}

While there is a question about the economic development rationale for stadium subsidies, there is no doubt that stadium projects will continue to be considered. Based on our research and the experience of examining the stadium plans and debates in many cities, we offer some summary observation on conditions most conducive to a favorable stadium impact. If a stadium is to contribute to an area’s economy rather than represent a drain on its resources both in the present and future, several things relating to both costs and benefits need to be considered.

First, an economically successful stadium operation requires stadium use. We suggest a very rough rule of thumb in this regard. There should be two dates per year of large-crowd use for every $1 million of debt the stadium developer assumes. Thus a $100 million stadium debt would require roughly 200 dates of use. A note of caution is in order. This rule of thumb is based on a 10% cut of gate receipts for the stadium developer, and it only considers revenue derived from the sale of nonexclusive seating. Exclusive seating then may be preferred by public stadium developers, since the revenue generated from that source can be enormous. However, an important equity question is raised. Should the public sector use taxpayer money for the construction of stadium seating that makes sports spectating a decidedly less democratic activity?

Second, despite the importance of use and the implied desirability of multipurpose stadiums, great care must be taken in designing a facility to accommodate many different sports. Multipurpose sports stadia would seem to be an easy solution to the utilization problem, but the sight lines for the various sports are quite different. Movable seating can be designed to offset this problem somewhat, but the necessary engineering can be expensive and unreliable. Therefore, city planners should not be overly optimistic about the number of sports a single facility can accommodate. For example, basketball teams in both New Orleans and Seattle found that the cavernous domed stadiums in those cities provided an atmosphere that was not optimal for viewing basketball.

Third, if an urban stadium is being planned, the plan should be expanded to incorporate

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ancillary development. If a dome stadium is being built and if the plans call for using it as a convention or trade show facility, the location of the dome should be assessed in terms of proximity to hotels, other convention facilities, and public transportation. While stadium “trickle-down” benefits to the neighborhood represent an important component of the orthodox stadium rationale, it is rarely represented as more than a vague promise. A stadium is not usually enough of a significant development to anchor an area’s economy alone. Rather, in considering the revitalization of an urban neighborhood, a number of potential economic anchors should be developed simultaneously. Furthermore, the integration of a variety of commercial activities to include the stadium is generally not sufficient to ensure success. Commercial ventures require traffic. The stadium can provide infusions of people, but residential development incorporated with commercial development will ensure a balanced, nonseasonal clientele for businesses in the stadium neighborhood.27

City government should understand that stadium-inspired economic development depends on stadium traffic. Therefore, cities must design strategies that keep that traffic in the city. One method for accomplishing this is to design commercial space that is both safe and convenient. That is essential to counterbalance the tendency of suburbanites to leave the stadium neighborhood for home immediately after the game. The challenge for city planners is to balance land acquisition costs, convenience, development potential, and neighborhood safety while demonstrating a sensitivity to the gentrification issue. This is an enormous challenge, and many urban ballpark plans have been aborted because planning was incapable of meeting that challenge.

Fourth, the imposition of a suburban ballpark model on an urban neighborhood will minimize the chance for ancillary development. Surrounding the ballpark with a parking lot is not only a poor use of valuable urban real estate, especially if the parking is not convenient for other urban uses, but such a parking lot minimizes the exposure of stadium traffic to other area commercial activities. A channeling of fans through carefully planned commercial corridors could help maximize secondary economic activity.

Fifth, cities should develop a strategy to effectively counter the monopoly power of professional sports leagues and player unions. For all intents and purposes, the leagues and players administer their prices and benefits. In part, the administration of their own reward system is facilitated by city competition for their services. If city governments purport to build stadiums because it is in the public interest to do so, is it not in the public interest to provide professional sports entertainment at prices that are reasonable? Presently, cities serve the interests of sports cartels at the public’s expense. Fans feel helpless in the face of player strikes and threats to move the team. Several things can be done to modify this skewed balance of power in professional sports. One radical solution would be sponsoring legislation to enable cities to adopt a professional sports franchise if they so choose. The pace of professional sports franchise expansion should not be determined by league authorities. If cities were not in such peril over the prospect of losing professional sports entertainment, the extent of city support for a sports franchise could be decided on more rational grounds.

Sixth, cities should encourage the privatization of stadium construction and operation through whatever means possible. If teams commit their own money to a stadium project, they are far less likely to relocate. Of the 22 franchise moves between 1970 and 1985, only two involved the abandoning of a privately owned facility.28 Unfortunately, there is a Prisoner’s Dilemma for any one city holding the line while others continue to provide generous subsidies. If stadiums are legally underwritten by the public sector, any team that uses its own funds to construct a stadium is placing itself at a competitive disadvantage.

Finally, the most significant contribution of sports is likely to be in the area of intangibles. The image of a city is certainly affected by the presence of professional franchises. Professional sports serve as a focal point for group identification. Sports contests are part of civic culture. There may well be a willingness of voters to pay taxes to subsidize this kind of activity, just like
there is for parks and museums. If cities subsidize commercial sports in the quest of an improved image or as a form of culture, then taxpayers should be allowed to decide the stadium subsidy issue on that basis.

CONCLUSION

Both public policy practitioners and scholars have debated the use of commercial sports for stimulating local area development. We have cited published and unpublished literature that attempts to justify a public subsidy to a stadium to attract or retain a professional sports team. The claim is that these public subsidies for private activities will induce a substantial flow of direct and indirect benefits. We have argued here that this purported policy handle is made of straw. The economic development rationale is weak on the premise that spending on stadium events is net new spending for the area. Seasonal, unskilled, and low-wage jobs are directly associated with stadiums. Approving a stadium, then sitting back to wait for promised growth is naive public policy. If a stadium is to have an economic impact on the city, it needs to be part of a package of planned and balanced development. Good planning is still better than great promises.

NOTES


2. Unique among employers, professional sports franchise owners are allowed to take depreciation for the value of employee contracts.


11. John Holms, “The New Arenas of Debate,” The Washington Times, 21 September 1987, Insight sec., p. 9. Robbie’s new stadium includes 216 boxes, leased at prices ranging from $29,000 to $65,000 per year (minimum 10-year commitment is required), and 10,211 “club seats,” leased for prices ranging from $600 to $1,400 per year.

12. Ibid.

13. The poll, which is also the source of the data in Table 1, is reported in Robert A. Baeke, “Is There an Economic Rationale for Subsidizing Sports Stadiums?” Heartland Policy Study No. 13 (February 23, 1987), pp. 10-12.


20. Ibid.
25. Ibid.
27. For example, a Chicago architect, has developed a plan for the development of White Sox Park in Chicago's South Armour neighborhood that addresses many of these concerns: Phillip Bess, "Plans for Chicago's White Sox Park and the Surrounding Neighborhood," Mimeograph, July 10, 1987. Toronto has provided another example of integrated commercial development: Stadium corporation of Ontario and Dome Consortium Investments Inc., "The Dome Like No Other in the World," Mimeograph, undated.