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# Hardball in City Hall: Public Financing of Sports Stadiums

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## Abstract

Roger I. Abram's article on public financing of sports stadiums is an unedited portion of Chapter 9 from Abram's forthcoming book, Playing Tough: The World of Sports and Politics, published by University Press of New England (2013).

## Keywords

sports stadiums, public financing

## Cover Page Footnote

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# HARDBALL IN CITY HALL: PUBLIC FINANCING OF SPORTS STADIUMS

Roger I. Abrams*

We play the Star Spangled Banner before every game. You want us to pay taxes too?
Bill Veeck

Hell yeah, we'll get our money back. Think about it. [T]hink about how high rent is going to be in 50 years. We're getting paid back and then some.
Mayor Dave Perez
Industry City, California

As your mother likely told you many years ago, playing games involving a bat and ball in public spaces presents risks of injury to persons and property. In fact, the City of Pittsfield, Massachusetts enacted a local ordinance in 1791 which stated that "no Person, an Inhabitant of said Town, shall be permitted to play at any Game called … Baseball … or any other Game or Games with Balls within the Distance of Eighty Yards from [a] Meeting House." There is a place for everything, and the games we have discussed throughout this book are best played on designated fields. When political "games" are played in governmental places – city halls, state legislatures, even in the halls of Congress – the participants risk causing injury to the public treasury and to the public welfare.

The fundamental issue in American politics has always been identifying the proper role of government. That is what consumed the Founders cooped up in Independence Hall in Philadelphia in the summer of 1787. The Articles of Confederation ratified by all thirteen states by 1781 proved insufficient in establishing enough centralized governmental power to regulate interstate commerce, conduct a vigorous foreign policy and raise sufficient financial resources,

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all significant deficiencies in the new nation-state. The Constitution addressed those deficiencies, while creating a system of checks and balances that, at times, still incapacitate the federal government. There was enough room within that document, however, that it could be read by generations of Americans to meet their changing needs or, if necessary, to amend it.

While the particulars of the proper role of government are often debated – whether governments should provide for the less fortunate or bail out corporations that have carelessly lost their way – the underlying question has remained the same. Should government be an actor? An enabler? A regulator? A partner? A provider? Should it simply stay out of the way? What should be the proper role of government when it comes to private matters, such as whom you may marry or whether women can choose to have an abortion? How about a governmental entity providing public resources to private enterprises so they can make more money?

The Founders set forth some of the foundational principles for this on-going conversation in 1776 in the Declaration of Independence. "Governments," that document reads, "are instituted among Men" in order to secure the "unalienable rights" of "Life, Liberty and the pursuit of Happiness." The document then lists the offenses to those basic rights committed by the British crown, but ends with a clear statement that the governments of free and independent states have the "full power" to "establish commerce." Even at its creation, the American government was recognized as having the power, influence and obligation to address business issues.

Thirteen years later in the Constitution, the delegates from the American states specified that the federal government would have the authority to collect taxes in order to provide for the "general welfare." It seemed apparent that there would be a role for government to act for the benefit of the people by using moneys raised for that purpose. For almost 250 years, we have tried to define through our political processes just how those collected funds should be spent.

Can federal, state and local governments in America take money from one person and give it to another? Even if they have the power to do so, is it good policy for governments to exercise that power and under what circumstances?

It would not take long for the states and the new nation to use the authorized power to aid businesses, and not every venture would prove successful. In 1791, for example, the New Jersey Legislature granted a ten-year tax abatement to Alexander Hamilton's Society for Establishing Useful Manufactures to develop land surrounding the Passaic River. Hamilton had promised his venture would create 20,000 new jobs. Within five years, the Society was bankrupt. No actual jobs were created.

One real difference between rich and poor – and it is a significant one -- is in access to private capital and governmental largess. American government has long subsidized private businesses and made wealthy men wealthier. Government transfer payments have generally helped the well-off and the well-connected much more than they have assisted the poor and unconnected. Even in the uneven provision of basic governmental services – police, fire and sanitation – the rich have benefitted more than the poor. Governments have even spent billions of dollars on public stadiums to provide venues for sport.

Mayor Dave Perez of Industry City, California, a suburb of Los Angeles, is only the latest to fall victim to wishful thinking when it comes to the use of public funds to foster private development -- in his case the effort to attract a National Football League franchise back to the Los Angeles area. Voters in the tiny municipality voted in January 2009 to authorize the city to issue as much as $180 million in bonds to pay for stadium infrastructure, but it will take much more to bring the NFL to town. The bonds would be financed through a tax on tickets and on parking at the stadium. Neighboring municipalities vowed a court fight against the project on environmental grounds, but Perez is undeterred. There is no indication that the NFL is interested.

<u>Governmental Power and Sport</u>

As we have seen, governments have always used sport as a tool of social control and public amusement. To maintain political power, politicians have looked to these games as instruments to be manipulated for strategic advantage and prestige. A second century traveler through the Greek lands, one Pausanias, wrote that a town lacking a gymnasium would not really qualify as a city. Similarly, today a city without a major league franchise in one of the four major team sports is simply a crossroads on a map. Whether promoted by an ancient village, a city boss or a German dictator, sport has proven a useful instrument of public authority. There is a price to be paid, however.

The symbiotic relationship between sport and politics has provided an opportunity for private entrepreneurs to dip into public resources for their private benefit. Every business is looking for the edge in the marketplace, even public businesses which seek good political friends and business supporters. For the owner of a sports team, the public treasury stands open and available to aid in a self-professed time of need, and it always seems to be a time of need. Even athletes have entered into the mix on occasion. Mexican German Silva, who won the 1994 and 1995 New York City Marathon, was asked by the governor of Veracruz province what he would want in recognition of his great victory. Silva asked him to provide his impoverished Mexican hometown of Tecomate with electricity and television, and it was done.

Starting in the early 1920s with the construction of the Los Angeles Coliseum, public funds from American state and local sources have been used in whole or in part to construct most sports stadiums. In the early 1950s, Milwaukee built a new baseball stadium -- the first publicly-funded field for the national pastime -- as part of a governmental strategy to attract an existing Major League team from another city. Milwaukee County Stadium would first be used by the minor league Brewers, the top club in the Boston Braves farm system. By the time the stadium was completed in 1953, however, the National League Braves, which had suffered from years of poor attendance, decided to move from Boston to Milwaukee. In 1966, the Braves moved again, this time south to play in the publicly-financed Atlanta-Fulton County Stadium. Atlanta Mayor Ivan Allen had aggressively recruited the Braves and built the stadium, as he said, "on ground we didn't own with money we didn't have for clubs we had not yet signed." Thirty years later, the Braves moved crosstown to the former Olympic Stadium built by public money for the Games of the XXVI Olympiad. Despite its willingness to move to greener pastures over the course of its 135 years in Major League baseball –- the "green" being the public largess -- the Braves have only won three World Series, one each in Boston, Milwaukee and Atlanta.

The Braves' move to Milwaukee in 1953 and the St. Louis Browns' move the following year to Baltimore (to become the Orioles) altered the public's perception of who really owns and controls Major League franchises. The American and National leagues had remained stable for fifty years with sixteen clubs located in the same Midwestern and Eastern cities. The public came to refer to the franchises as "our" Braves or "our" Browns. That all changed in the 1950s when franchises exercised their "free agent" rights to relocate.

While the public patronized and rooted for the franchises located in their cities, they were (and are) privately owned like any business and could be relocated at the discretion of the owners with the Leagues' approval. To some, this was a revelation equal to discovering that Santa did not make his annual run by flying reindeer and overloaded sled. The local baseball or football team had been part of the fans' identity, and it was ripped away without anesthetic. Bill Veeck, the clever, if somewhat eccentric, owner of a number of baseball clubs, explained after the Dodgers moved west to Los Angeles, leaving Brooklynites deserted, crushed and heartbroken: "They discovered that they were wrong. The Dodgers were only a piece of merchandise that passed from hand to hand." Bob Irsay's stealth move of the Colts under the cover of darkness from Baltimore to Indianapolis in March 1984 confirmed this reality. As Irsay said: "I know one thing. I have a stock certificate, and at the bottom it says that I own the team."

While the public's attention has focused on direct government financial support for the construction of stadiums and arenas, sports entrepreneurs and government officials have been creative in devising less-obvious schemes that have made many franchise owners even richer. Bill Veeck negotiated a deal with the Los Angeles Chamber of Commerce in 1941 to move his St. Louis Browns to the West Coast. The Chamber guaranteed attendance of 500,000 a year, a substantial increase for the lowly Browns and were offered the use of the stadium of the minor league Angels. The deal was never consummated because of the outbreak of World War II, but Veeck continued his search for additional financial resources. He uncovered a federal tax ruling under which franchises could depreciate player contracts over a five-year period. These federal allocations through tax expenditures proved to be a remarkably generous subsidy. Later owners negotiated for new variations on the tax concessions. For example, local and state governments have offered tax abatements to sport franchise owners who either agreed to stay put or have relocated to the jurisdiction from another state.

Governmental subsidies are just as critical, if less obvious, when the construction of a new stadium or arena is accomplished with private money. Sport franchises have generally been able to use tax-free bonds to fund their projects, thus reducing the borrowing costs by about two percentage points. New facilities contain additional luxury boxes and suites leased by corporations that are allowed, under the federal tax code, to deduct a portion of the rent as a business expense. As a result, stadium owners are able to charge them higher fees. Normally, even if a stadium is publicly constructed, the sports franchises control the naming rights for the new facility, a multi-million dollar bonanza. Privately constructed stadiums are often the beneficiary of government-funded access roads and services.

The constitutionality of public subsidies to private enterprise has been the subject of much litigation, and, generally, courts have upheld these expenditures as serving a public purpose. Equally abundant has been the commentary about whether such use of limited governmental resources is fitting and proper, although the implication of a government's failure to pay is clear. Those municipalities that refused to play along have lost their local professional sports teams to cities that were willing to ante up the cash. This was not just a game; it was hard ball at city hall.

### Jobs, Redevelopment and Publicly-Financed Stadiums

The principal argument in support of public subsidies for private enterprise, including sports stadiums and arenas, is that such expenditures create local jobs and spur economic redevelopment. However, virtually all economists who have studied the issue in the sports context have concluded to the contrary. The construction jobs are temporary. Few permanent, year-round stadium jobs are created, and the seasonal, underpaid jobs that result do little to address issues of unemployment. If the new stadium replaces an older facility, it may create no new jobs at all since, most likely, the employees will be transferred to the new stadium. Even if the stadium is used to attract another city's franchise, the impact on jobs is no big thing. On average, excluding a club's management team, a new stadium employs fifty full-time workers. By comparison, a new Wal-Mart employs on average 360 full-time employees.

The broader construct claims that building a new sports facility will boost the local economy. Repeated studies have found, however, that there is no statistically significant positive correlation between sports facility construction and economic redevelopment. Bringing a new sports team to town does mean there will be some additional spending by the club, by players and by other employees on local goods and services, but most players and management live (and spend) elsewhere. Simply building a new stadium to keep an existing franchise, of course, may not add an additional penny to local expenditures.

There is a tendency for supporters of public subsidies to descend into hyperbole when extolling the virtues of bringing a new sports franchise to town. Gregg Loukenbill, the former owner of the Sacramento Kings, gushed: “The [Oakland] Raiders coming to Sacramento would be an event the magnitude of the Gold Rush.” Undoubtedly, Al Davis would have been successful panning for gold, as his predecessors did, but the gold would have been government bullion, not nuggets from the stream running behind Sutter’s mill.

Proponents of public subsidies claim quite correctly that calculating the economic effect of increased local expenditures that result from acquiring a new sports franchise must consider a “multiplier.” A dollar spent locally on goods and services is then re-spent by local businesses in the community. The size of the multiplier, of course, determines the magnitude of the positive economic projection. While the multiplier is certainly greater than one, critics question the commonly used two-and-one-half construct as without empirical basis. These calculations also typically ignore the substitution effects of exchanging one sports stadium for another or simply moving private resources from another entertainment option to the publicly-financed sports venue. The only viable hypothesis to support the economic benefits of public subsidies would be to count only those expenditures that would not otherwise have been made while deducting any economic losses incurred in the neighborhood around the old stadium if the new construction simply substitutes for the old.

Despite the abundance of data and the absence of objective support for their claims, all public authorities have justified their subsidies at least in part based on the jobs the new facilities will produce and the positive financial impact of the new facilities on the local economy. Building sports stadiums, however, are a poor investment for cities. No one, apparently, has thought it might be useful to guarantee the claims made by proponents of subsidies by including a “clawback” provision in the contract with the club under which the government would receive a return of its investment if the number of actual jobs created and the gross increase in tax revenues do not meet the owner’s projections.

Rick Horrow, a leading proponent of public subsidies to private sports entities and a consultant to the NFL and many cities, testified before Congress in 1999 concerning the experience in Jacksonville, Florida, where he served as the outside consultant:

> The Jacksonville Sports Development Authority and Chamber of Commerce suggests that the Jacksonville Jaguars and Alltel Stadium enrich the local economy by an estimated $131 million a year from visitors buying tickets, eating at restaurants, and staying at hotels. Additionally, they believe that the new team and facility have been indirectly responsible for the creation of upwards of 50,000 new jobs by virtue of companies expanding or relocating to Jacksonville as a consequence of a successful marketing campaign.

Horrow has been involved in more than 100 deals involving public support for private sports stadiums and arenas, and academic critics have raised significant concerns about his boosterism of public financing.

A comprehensive 1997 Brookings Institution study concluded to the contrary regarding the economics of public subsidies:

> No recent facility has earned anything approaching a reasonable return on investment. No recent facility has been self-financing in terms of its impact on net tax revenues . . . The economic benefits of sports facilities are *de minimus*.

Of course, as we learned in *Field of Dreams*, if you build a stadium – whether downtown or in an Iowa cornfield – "they will come." Fans will purchase the best sports entertainment available for their dollars and that normally means seats and suites in the most comfortable and up-to-date sports facility. Some public funders justify their expenditures based on the premise that the new facility will attract new spectators who will dine out and stay over, enhancing the local economy and increasing overall tax revenues as a result. There is some evidence that building a sports facility in a distressed area of a city might catalyze some local redevelopment with the stadium as the magnet. A stadium insures pedestrian traffic, which helps retail stores and hotels. What these studies do not address, however, is whether the new stadium takes business away from the neighborhood of the old, and now replaced, stadium.

Some cities have based their public expenditures on the hope that a new stadium (and a winning team) will attract more out-of-state visitors. There is some evidence of increased sports tourism based on new facilities, at least in the short term. Most of the spectators, however, would have come to town in any case and are simply moving their expenditures from one city venue to another. The private expenditures simply flow to the owner of the franchise with the new facility instead of the owner of some other entertainment offering. The addition of a sports team to a city does provide households with a new entertainment option. Consumers choosing to attend sporting events will spend less on other entertainment options, such as movies and dining out, thereby shifting, but not increasing, existing tax revenue and spending. The entertainment and sports dollar has minimum elasticity.

There remains the issue whether the public is well served by these public subsidies. Are they good investments? Was it worth tens of millions of public dollars for New Orleans to construct the Superdome? What about the more than $50 million public dollars for the Miami Sports and Entertainment Authority to build the Miami Arena for the Heat and the Panthers that would be replaced by new arenas in a decade? Did the voters of Arlington, Texas get their money's worth when they increased the local sales tax by one-half percent to build "The Ballpark" for George W. Bush's Rangers? What alternative public expenditures suffered when money was poured into these edifices?

In their book, FIELD OF SCHEMES, Neil deMause and Joanna Cagan include a handbook of rules for sport franchise owners as to the steps to take to tap the public treasury. First, the club must denigrate its current stadium as obsolete while suggesting (gently) that it might have to consider relocating to another city unless something is done. (This step is simple if the city has already lost a major league franchise in another sport, like the Minnesota North Stars leaving Minneapolis for Dallas. The Twins did not have to say much to accomplish this first step.) In explaining the demand for a new facility, the club must rely on concepts of "fairness." Without a new stadium, the team simply could not remain competitive within the league.

A supplicant club needs to create numbers to support its plea, hiring consultants to accumulate data which will work in favor of the project. In order to get the city, county and/or state to act, the club owner must also create some sort of a deadline after which it will order the Mayflower moving vans, as Robert Irsay did when he moved the Colts from Baltimore to Indianapolis in the dead of night. Finally, once the construction begins, the club can increase its demands. The governmental authority will never leave a project half completed. Virtually every sports team has followed the deMause and Cagan primer.

As public resistance to cash payouts to franchise owners has increased, clubs and cities have cleverly devised alternative forms of financial subsidies. Tax abatement became a first alternative, but it was rarely enough to convince the owner either to stay or to relocate from another city. Using government bonds to raise construction funds cuts the cost of borrowing. Add to that a very low (if any) stadium lease fee, the franchise's capture of revenue from concessions, parking and on-sports events at the facility, and a governmental guarantee of a full house of spectators, i.e., covering the cost of empty seats. More recently, contracts with cities have included a provision similar to a public sector union "me-too" clause. The city promises that the stadium it provides will meet the "state-of-the-art." If other stadiums are "better," the city promises it will update its facility for the franchise at the public's expense.

Sports franchise owners have also devised new ways to secure public funding, for example, by making the new sports facility part of a comprehensive redevelopment package or, in the case of football, obtaining a promise from the NFL to hold the prestigious Super Bowl in the new stadium at some time in the future.

Modern financing of sports facilities is profoundly complex. Even if the transaction is transparent, the public – and likely the politicians -- will be bewildered by the details. One way public management can respond to criticism of its subsidy to an existing franchise seeking a new facility is to provide "tax-increment financing" to the club owner. The state calculates the amount of sales tax it currently receives from the sports operation; if the sales tax increases after the facility's construction, that increment is returned to the franchise owner or used to pay the owner's share of the stadium construction cost. In this way, the state's tax revenue remains level.

This type of tax-increment financing has been used to support other real estate developments, like Minnesota's Mall of America, but it does not answer the question whether the construction would have proceeded in any case without a governmental subsidy.

Opponents of public subsidies tend to characterize these public transfer payments as "corporate welfare" and the strategy of franchise owners as "blackmail," but the name calling does not help much in understanding the issues involved. Corporations and other businesses have long been the beneficiaries of public largess, none more imaginative that the nineteenth century railroads that were paid in cash by the mile constructed and deeded public lands adjacent to the roadways that skyrocketed in value as a result of their construction. Calling such use of public funds "extortion" escalates the discussion to a higher decibel level without informing the conversation. Instead, we should try to understand what really motivates such subsidies in order to answer whether they serve a legitimate public purpose.

Each year, it is estimated that billions of dollars in public moneys are spent on private sports facilities. It is an important part of the business of government. Critics retort that alternative uses might be made of these funds. Might the public benefit more from better public schools, transportation, housing, roads and infra-structure? The answer, of course, is that there are always other – and perhaps better -- uses for limited public resources. The issue is whether public authorities would have actually allocated these financial resources for purposes other than sport, and that seems quite unlikely. As Carl Pohlad, billionaire owner of the Minnesota Twins, concluded regarding alternative uses for money better spent on his club: "The world does not work that way." As we shall see, public entities bestow subsidies on sports because they cannot afford not to.

An Alternate Rationale

Despite the protestations of supporters of public subsidies, the economic rationale for the use of limited government resources to construct facilities for private sports entrepreneurs has slowly waned in the overall public debate. Researchers have concluded with some confidence that the economic equation points against public subsidies. The subsidies provide huge public expenditures in exchange for few new jobs and little economic revitalization. While direct economic benefits often remain the first argument offered in support of such expenditures, it rarely survives rebuttal either by experts who have studied the empirical data or by political opponents of the proposed allocation. Supporters needed an alternate rational, one that is more difficult to rebut.

Much has been written lately about what might be termed the politics of public happiness. A new stadium may not make a city richer, but it might make its inhabitants happier by improving their quality of life and civic pride, much like clean air, good weather and scenic views. Community self-esteem, status and prestige as a public good may be harder to measure than gross local domestic receipts, but it is just as real. As Art Modell, the owner of the Baltimore Ravens which he relocated from Cleveland, explained: “The pride and the presence of a professional football team is far more important than thirty libraries.” The opposite effect, of course, follows from the loss of a sports franchise. Cleveland, for example, has suffered from a community-wide malaise for decades. The loss of its beloved football franchise impacted on the psyche of inhabitants across the Western Reserve. Much the same happened decades earlier when Brooklynites lost their treasured Dodgers.

While long-term public happiness may ultimately depend upon the success of the franchise in league competition, there is a genuine public benefit in civic pride from national recognition as a major league city even if the local club is an also-ran. The opportunity for city residents to root for their "home team" provides them a common interest, a cohesive force for any city. One person's consumption of this public good does not deplete the psychic nourishment available to others, and no citizen can be excluded from its enjoyment, although not all can afford the price of a ticket to attend a game in person.

While large metropolises may have franchises in all four team sports, smaller cities, such as Green Bay, Oklahoma City, Sacramento, and Salt Lake City, have a single franchise in one sport, but even that single entry places them among the premier cities of the country. There is some evidence that other businesses -- those that actually create real, long-term, well-paying jobs -- seek to locate in a city that can boast that it has a major league franchise.

Proponents of public subsidies have posited that new construction provides social benefits to members of the community, enhancing self-esteem and social cohesiveness. Not only do people feel better about their city, outsiders do as well. Cities make investments in the "good will" of their communities all the time. Museums, libraries, schools and clean streets enhance the public's perception and attract outsiders to come and visit or even relocate. Although it may be difficult to monetize these intangible social benefits, no one doubts that they are real. While Art Modell may have been engaged in exaggeration by suggesting that a football team is more important to a community than thirty libraries, it seems that having a home club is more significant to the public than reconstructing its schools or repaving its roads.

Studies of the non-economic impact of public expenditures on sports facilities have not reached convincing conclusions. It is not as easy as counting jobs, gross receipts or taxes. Professor Andrew Zimbalist of Smith College, one of the nation's leading sports economists, in his review of the work on the "public good" that flows from public subsidies, concluded that the methodologies currently employed have not reached conclusive results. Some studies have attempted to measure how much respondents would be willing to spend to "buy" the public good in question. In the aggregate the purchase price falls far short of the amounts actually allocated by public authorities for the purchase in question. These studies, however, may underestimate the true value to the public of the public subsidies in question.

Each year, national publications announce their list of "the best cities" in which to live. These rankings base their assessments on counting things. For example, *Business Week* ranks the 100 largest cities based on 16 criteria:

> [T]he number of restaurants, bars, and museums per capita; the number of colleges, libraries, and professional sports teams; the income, poverty, unemployment, crime, and foreclosure rates; percent of population with bachelor's degrees, public school performance, park acres per 1,000 residents, and air quality. Greater weighting was placed on recreational amenities such as parks, bars, restaurants, and museums, and on educational attainment, school performance, poverty, and air quality.

These factors seem plausible, but, at best, they are indirect measures of public happiness. While professional sports make the list, why are "semi-professional" teams -- big-time college football, for example – omitted? The Oklahoma Sooners and the Alabama Crimson Tide certainly make those states better places to live. *U.S. NEWS AND WORLD REPORT*, a publication that has ranked everything but the best religions, examines "strong economies, low living costs, and plenty of fun things to do." This is not quite junk science, but it is close.

Those who want to prove that public subsidies of private sports stadiums and arenas provide public goods that improve the community's psychological well-being should do so directly by measuring changes in public attitudes and beliefs about where they live. Behavioral science provides well-accepted methods to guide this type of social research. Comparing the results of carefully crafted surveys using representative samples performed before the public expenditure issue arises with those conducted when the facility opens and again some years later may produce useful information, especially when compared with other cities in the region that do not host major league franchises. It is possible to identify cities without major sports franchises that would likely acquire such franchises were any to relocate or the sports leagues decided to expand. Los Angeles, the nation's second largest city, currently does not host a NFL franchise, but it will certainly be first on the list for possible relocation or expansion. We can anticipate that any future Los Angeles sports franchise would seek a public subsidy. Now is the time to measure public attitudes relating sports and public happiness before the issue of subsidies arises.

The public good and happiness factors were often raised in Cincinnati while tax increases were debated to fund two new sports stadiums. Municipal leaders insisted that the city should not become another Dayton or Louisville. Similarly, in Cleveland the comparators were Akron, Toledo and Youngstown. In Minneapolis, the worry was that without adequate sports facilities the town would become Omaha, albeit 400 miles further north. Municipal aspirations and aversions offer potent hypotheses that can be measured systematically, although perhaps proponents of public subsidies might not want to discover that people could be just as happy and proud of their city without a new five-hundred-million dollar publicly-financed stadium. The ultimate issue, of course, is not whether sports facilities would make people happier, but how much citizens are willing to expend in public resources in order to obtain that enhanced level of happiness. Cleaner streets make citizens happier, but are they worth a local tax increase of a thousand dollars a year? How much is it worth to bring a pro football team to town?

## Funding Public Subsidies of Private Sports Facitilies

How do public authorities fund these expenditures? Adding a budget line for "pro football stadium," while perhaps once an option, would not be politically viable in an era of budget cuts and austerity. Public management normally insists to the press that the sports subsidy would not require the expenditure of any existing tax money. That may be literally accurate, because it will be new taxes that will pay for the public subsidy. Normally these are targeted taxes, such as a "sin tax" on sales of tobacco and alcohol, a very retrogressive levy that disproportionately affects members of the lower economic classes who are least likely to be able to afford to make use of the new sports facilities. Other times, governments will use a targeted allocation of lottery revenue. Governments also have the power of eminent domain. They can evict current residents and take the property needed for the stadium footprint in exchange for payment of the "fair market value." Most municipalities and states issue tax-free bonds that will take decades to pay off or simply offer tax abatements to sports magnates which may indirectly result in significant cutbacks in social services.

The negotiated package between the club and the governmental entity will determine which party receives the revenue from the expected activities of the new facility. Art Modell's move to Baltimore for his erstwhile Browns produced a bonanza for the owner, perhaps enough to have fully compensated him for the scorn he received from Cleveland fans. He kept all the revenue from Baltimore ticket sales plus lead payments on 108 luxury boxes and parking fees. He received the revenue from naming the stadium (first called the PSI Net Stadium and then M&T Bank Stadium) and all profits from concessions. The State of Maryland also gave Modell a $25 million relocation fee.

It is hard to blame the sports franchise owners as the "villains" of this piece. They are businessmen (and a few businesswomen) who own assets that have genuine value in the marketplace. (Actually, banks indirectly own most franchises; owners borrow to purchase their franchises.) Although they like to market themselves to the citizenry as fiduciaries for the public good, franchises are businesses that seek profit, as they should.

Franchise Free Agency

For decades the marketplace for sports franchises has offered the opportunity for public subsidies. As long as there are more cities that want franchises and do not have them, club owners have market power. Can we really expect the owners not to demand more public funding?

The contrived scarcity of sports franchises is a critical component of the market equation. If anyone could start a team and compete in any professional sport at the highest level, the leverage of existing teams would be significantly diminished. The leagues carefully control entry, artificially maintaining scarcity and enhancing bargaining power. It is critical, however, that teams have a viable alternative. A threat to leave is only credible if there is someplace to go. Over many years, a collection of Major League Baseball club owners bullied their home cities by threatening to move to Tampa Bay. Tampa Bay had a completed domed stadium off the interstate highway in St. Petersburg. Seven different Major League clubs successfully used the same stratagem as leverage. Finally, perhaps in recognition of the fine service Tampa Bay had provided to Major League owners, the region was awarded an expansion franchise of its own in 1998. The Devil Rays (later renamed the Rays) have proven to be a financial disaster, suggesting that the successful ploy was really just a bluff.

With the Tampa Bay option, baseball was left without its foil. Commissioner Bud Selig needed to find some substitute for leverage, and Portland, Oregon was not quite a Major League alternative. Instead, the Commissioner threatened to contract two clubs out of baseball, leaving their cities as potential relocation sites. The contraction scare ended as a product of the successful 2002 collective bargaining negotiations. Instead, clubs such as the Oakland A's have used relocation within their geographic region as a bargaining chip, albeit with less market strength.

Franchises in the same sport do not compete with one another for the same pot of public financing. In 1876, with the creation of the National League the magnates agreed to territorial exclusivity. While public financing of facilities was not yet a reality, owners knew that a local monopoly afforded significant economic advantages. When the American League posed a viable threat to National League hegemony in the early 1900s, the senior circuit capitulated and joined its new rival in reinstating territorial exclusivity with the exception of a few cities large enough to support two clubs from different leagues.

By the 1960s, all new Major League baseball stadiums were being built with a component of public money. However, the threat of the creation of a rival league -- the Continental League -- and the possible presence of new teams in cities that desired a club of their own, decreased the availability of public financing of stadiums. Cities could resist the pressure as long as there was a possibility that a new circuit would place a franchise in their towns. To fight off this threat from a rival league, Major League Baseball expanded from 16 to 24 clubs. This dramatic increase in the supply of teams and a decrease in the number of major cities available for relocation resulted in a further decrease in market power for each existing club. As a result, only about 60% of stadium construction was publicly funded. Over the next thirty years or so, stadium construction for baseball and all other major sports leagues has been publicly funded at a rate between 65%-80%. Since 1990, over 95 stadiums and arenas have been constructed for clubs in the major team sports at an estimated cost to public treasuries of $27 billion.

The impact of building a new stadium, reducing tax obligations and underwriting the operation of sports franchises through, for example, allowing the depreciation of player contracts, can dramatically increase the value of the club owner's asset. Some owners seek public concessions in order to later market their interests at a higher price. The package is decidedly more valuable with the public subsidy already attached to the franchise. While public subsidies may not accrue to the economic benefit of the public, there is no question they improve the financial condition of the franchise owners.

Why Some Cities Say No

The explosion in public subsidies in the last few decades may hide the fact that some governments actually refuse the demands of franchise owners. While there are certainly other factors that impact franchise relocations, whenever a sports franchise relocates, we know with some certainty that government has declined to meet the owner's demands. Between 1958 and 2008, there have been six franchise relocations in baseball, nine in football, 17 in basketball and 11 in hockey, each with its own story of demands for public subsidies that were rejected. The great westward move of baseball from Brooklyn to Los Angeles after the 1957 season was triggered by the Borough's refusal to build a new facility for the Dodgers. The baseball Giants had sought their own new stadium in Manhattan but without success. The club relocated to San Francisco. The *New York Times* referred to as the Dodgers and Giants relocations as the great "transcontinental grief." When asked whether he had any remorse, Giants owner Horace Stoneham replied that he felt "bad about the kids, but I haven't seen many of their fathers lately."

The move of the Seattle Supersonics to Oklahoma City more than a half century later was the result of a similar set of circumstances. After unsuccessful efforts to persuade Washington state government officials to provide funding to update the Key Arena, the ownership group sold the team. The new owners failed in their effort to persuade local governments to fund a $500 million arena complex, and they relocated the franchise in 2008. In February 2012, NBA Commissioner David Stern told the media that the NBA would consider going back to Seattle, but only if the city built a new facility. Seattle mayor Mike McGinn quickly responded that it was seriously considering a proposal for a new arena. Perhaps the Emerald City has learned to appreciate the power of the professional sports market.

Some public entities have refused the demands of franchise owners because voters have said no in public referenda. In many jurisdictions voters must approve increasing certain types of tax levies. San Franciscans turned down a levy to build a new stadium for the baseball Giants four different times before new franchise owners decided to build it themselves, with, of course, considerable ancillary financial help from various levels of government.

Public referenda offer franchise owners and their leagues an opportunity to inform the public of the benefits of subsidizing new facility construction. Their financial resources substantially outweigh those that opponents of public financing can bring to the debate. Opponents are aided, however, by the public’s reluctance to vote for another levy that might be characterized as a tax. Meanwhile, the sports team in question is playing: if it does well, that will help the vote in favor of the levy; if it is performing poorly on the field, that simply proves that what the owner said was true – without a new facility, the team cannot be competitive. Either way, the owner usually wins.

Unless state law requires a direct affirmative vote, the ballot results may not be the final word. In Pittsburgh, for example, the citizens voted 2-1 in November 1997 against a proposed sales tax increase to finance new stadiums for the Pirates and the Steelers. At the behest of the local business community and the franchise owners, however, local government devised an alternate strategy that did not require a popular vote. Within four years, both clubs were playing in new publicly-financed stadiums.

In some cases, citizens groups goad public authorities to deny these private demands for subsidies. Some groups form to protect an old ballpark, as in Boston and Detroit; others seek to reserve public money for what they consider more important purposes. Groups may mobilize around a public referendum or simply directly lobby the governmental entities. Most opinion polls show that citizens overwhelmingly oppose government subsidies for sport teams, but sometimes public sentiment does not translate into public policy. In any case, public views change when business has an adequate period in which to generate their "educational" campaigns.

Advocates for public subsidies of private stadiums obviously include the club owners who benefit directly from the largess, but in many cases owners play a quiet role out of the public spotlight. New stadium advocates are what Kevin Delaney and Rick Eckstein in PUBLIC DOLLARS, PRIVATE STADIUMS called "local growth coalitions." These self-appointed civic groups are led by prominent members of the local corporate community with financial institutions normally in the lead. Owners of media outlets usually play a supportive role, in particular local newspapers. Lawyers who stand to gain profit from the issuance of public bonds often play an influential role as well. These groups seek to define a dominant local ideology in support of public expenditures to help purely private business interests.

Most campaigns for public subsidies generate some organized counter-pressure. A citizens group in Hartford, Connecticut tried to undercut the effort of the New England Patriots to cash in on a proposed move of the football franchise from Massachusetts. However, the offer made by Hartford and the State of Connecticut was quite generous. The city would pay for virtually everything, including the stadium, infrastructure, parking, insurance, a practice facility, capital replacement costs, and improvements over thirty years. The National Football League, in which Patriots' owner Bob Kraft is a player of considerable influence, was not happy with his proposed move, although normally (or at least since Al Davis won his relocation case in court) it supports its members' efforts to secure the most lucrative stadium offers. The NFL had allowed franchises in Los Angeles and Houston to relocate. Adding the Boston metropolitan market to the mix of abandoned territories would have diminished the League's national footprint.

The proposed Hartford deal was a remarkable give-away. The Patriots would keep every single dollar of revenue and operate the stadium rent-free. Club owner Kraft, however, eventually took the lesser offer from Massachusetts and stayed in the Commonwealth to build his own stadium at Foxboro with private money – plus $70 million in roads and sewers paid for by the State. A local reporter from the *Hartford Courant* called him a "total nutcake."

Kraft's ultimate rejection of the Hartford give-away is an example of the personal idiosyncrasies involved in each of these relocation/subsidy situations. A consummate businessman, Kraft certainly appreciated the scope of Hartford's offer. He knew, however, that delays in construction of any stadium would be inevitable and that environmental concerns of building a waterfront ballpark in Hartford would be substantial. Nonetheless, even a sweetened deal from the Massachusetts legislature could not come close to the Hartford financial opportunity, which some had valued as worth a billion dollars in free money. Kraft later said:

> It was a long journey that brought us back where we began. That was a record breaking deal, but it was never about money. And people who think that don't really understand us. For us, your legacy is what you do for your family and your community.

Ultimately, Kraft was loyal to his home state. Born and raised in Brookline, Massachusetts, he found it difficult to desert the Commonwealth.

Activist anti-subsidy citizen groups can sufficiently annoy a team owner to make him accelerate his departure to another city which would be delighted to build whatever he wants and pay him for the pleasure of his company. Other times, public pressure groups will simply delay construction, but not stop it. Some franchise owners have responded in kind by creating their own seemingly independent civic groups in support of their public subsidy. They have even started their own newspapers to spread the gospel. Looking to deflect public criticisms, club owners and government officials have created "community benefits agreements" that guarantee specific investments in those neighborhoods affected by facility construction in exchange, of course, for their endorsement of the facility project.

Public authorities that refuse demands and then lose a franchise are often chastened by the event. Baltimore lost the Colts, but then it built a new stadium for the Orioles. Cleveland lost the Browns, who went to Baltimore when the Maryland county built a new football stadium. Cleveland then built a new stadium for the Indians and later a new stadium for the expansion NFL football franchise that carried the venerable name, the "Browns." (A plaque inside the new stadium reads: "We proved that the Browns belong in Cleveland, the home of the greatest fans in the world…OUR TEAM…OUR NAME…OUR COLORS.") St. Louis lost its football Cardinals to Phoenix in 1988 and lured the Rams from the Los Angeles suburbs in 1995 with a remarkably lucrative stadium deal. The Rams would pay a very modest $250,000 a year in rent at the new publicly-funded stadium where the club captured all the revenue from luxury boxes and concessions and 75% of the advertising and naming rights fees. In addition, St. Louis paid the Rams' owner $46 million for relocating. Apparently, a city does not make the same mistake twice. It just makes new mistakes.

The battle between cities for sport franchises can only benefit the owners. The competing local media often play a cheerleading role, following the business deals as if they were touchdowns and home runs. In 1980, the *Los Angeles Times* editorialized its feelings about Al Davis' proposed relocation of his Raiders:

> Sports business is [a] rough-and-tumble competitive business. Self-interest rules. We hope the Oakland Raiders will come to Los Angeles even though the move would hurt Oakland. Both cities need the team for the same reasons – to provide a sense of identity and some economic benefit . . . sorry, Oakland, but we'd like to have your Raiders."

<u>Public Subsidies as Political Currency</u>

While public happiness might be a defensible goal for public subsidies, the reality is that sports subsidies are valuable because they offer political currency to politicians. D. Bruce Poole, a member of the Maryland House of Delegates at the time Baltimore and Maryland subsidized the construction of M&T Bank Stadium for the Ravens, testified before Congress in 1999. Although he had fought against the subsidy, Delegate Poole asked: "Who can say no?"

> Where are the public officials who are willing to walk away from having professional sports teams in their city or state at any cost? By that I am not speaking of state legislators—I am speaking of mayors and governors who ultimately have to make a very tough decision, knowing that if they do not get or keep a team, their jurisdictions will be marred. Loss of a professional sports team has become synonymous with loss of status, loss of prestige, loss of favorable exposure, and loss of opportunity at many levels.

Losing a sports franchise or failing to attract a replacement, he explained, would have direct repercussions at the polls.

The presence or absence of a local professional sports franchise certainly has a political value. Although rarely expressed in such stark terms, a mayor who is responsible for a city's loss of its football, baseball, or basketball franchise – hockey does not have the same weight, except in Canada – will suffer at the polls. On the other hand, the executive who saves the city's franchise by responding to its demands will likely benefit at the polls.

It is, of course, possible that politicians who stand up against the demands of sports franchises may reap at least short-term political benefits depending on the desires of the electorate. While most voters dislike the idea of subsidizing wealthy entrepreneurs, whether in sports or other businesses, when it comes to losing your football team, the downside risks may later convert political courage into a disaster at the polls. Good politicians can gauge the political exchange; poor politicians head for retirement.

Some politicians see little benefit in opposing the demands of club owners. In fact, they may lead the parade for the subsidy. Rudy Giuliani wore his allegiance to the Yankees on his sleeve – actually on his ubiquitous baseball cap. When both New York City baseball franchises demanded new stadiums in the late 1990s, Giuliani responded forcefully that "both the Yankees and the Mets are entitled to new baseball fields." (It was a curious choice of words. "Entitlements" in political parlance normally refers to transfer payments to the poor and the senior population in the form of Medicare and Medicaid.) Eventually, new stadiums were built for both clubs, but the actual bricks-and-mortar construction was paid for with private funds. The public subsidy for land, parking garages and tax abatements, however, was considerable. The new Yankee stadium cost the city and state $551 million and the Mets stadium $353 million.

Normally more than the executive branch is involved to providing governmental subsidies. Either the city council or the legislature (or both) have a role to play. However, because these bodies are made up of many people, the political responsibility may be diffused. Members of a legislative body who agree to authorize an expenditure of public money for the benefit of a sports team are unlikely to receive the same allotment of positive political currency, but rejecting the demand could mean all those who voted against saving “our team” would feel the weight of public disappointment in the same manner as a mayor or a governor. Thus, there is much to gain from supporting a public subsidy and much to lose by voting no.

Losing a major league team because of the municipal failure to offer a competitive subsidy cannot be measured simply in dollars-and-cents. Economics are almost beside the point. In actuality, as we have seen, a sports franchise is a very small business with the economic impact of a large supermarket. The “jobs” factor is rebutted by the evidence, although it continues to be adopted by politicians as their rationale for acting. They need some reason to expend limited resources other than as a means of retaining political power, which is likely their motivating force.

Public subsidies can be measured and evaluated based on their political impact on the decision makers. Elections are normally won or lost based on votes at the margin. Those votes can be affected by decisions that result in gaining or losing a professional sports franchise. Presumably, it can also be affected in the long-term by failing schools or potholes left unfilled, but the impact of a sports decision is more direct and immediate.

Baseball Returns to Washington

We can see all of the variables involved in public subsidies for private sports facilities in the recent political turmoil they caused in our Nation’s Capital. Politics in the District of Columbia is normally quite a boisterous affair, but the real possibility that Washington could once again host a Major League baseball franchise caused political chaos. As a result of an ownership shuffle in 2001 -- John Henry sold the Florida Marlins and purchased the Boston Red Sox and Jeffrey Loria bought the Marlins and sold the Montreal Expos to Major League Baseball – the Commissioner of Baseball controlled a franchise he could market and relocate. One thing for certain: it would not stay in Montreal which, despite its long association with baseball, proved not to be a sufficiently profitable setting for the American national pastime.

In January 2003, a delegation including Mayor Anthony Williams and D.C. Council chairwoman Linda Cropp met with baseball's relocation committee to discuss bringing the Montreal baseball club to Washington, D.C. The following month the Mayor's Office announced that it was preparing a financing proposal for a new stadium. Skirmishing began almost immediately in the City Council about who would be taxed to pay for a new stadium, and talks with Major League Baseball's representatives broke down in July 2003. In April 2004, Mayor Williams unveiled a proposal in which the District would fully fund construction of a new ballpark located next to city-owned RFK Stadium, thus decreasing the cost of acquiring new land. The Mayor, however, had not briefed Council members before he showed the plan to the public. Major League Baseball remained safely out of the fray. It had not even committed to placing the franchise in the District, although it did say it was serious about D.C. Private buyers for the franchise were yet to be identified. Baseball first wanted a financing plan approved by the Council before it would move forward.

Politics about the baseball subsidy became front page news in the *Washington Post*. By mid-July, two Council members, Adrian Fenty and David Catania, had declared their opposition to a stadium that would be "entirely, or even substantially" financed with public funds. Mayor Williams, they claimed, was wrong if he thought that the D.C. Council would adopt a stadium financing package "in a snap." They stressed that public funds should be committed instead to schools, health care, employment, and libraries, improvements the District critically needed. The Mayor's Office responded that public services would not be affected by any plan for a baseball stadium because the city's bonds would be paid for by new revenue streams, and not from the general fund or from new taxes on residents. Opponents quickly pointed out that the Mayor's response did not address the dire shape of the public schools in the District. Hospitals and libraries were closing, and essential city services, including trash collection, were lacking.

As the D.C. Council and the Mayor bickered, politicians in Northern Virginia entered the fray in late June 2004 with a rival offer to provide a totally publicly-financed stadium located near Dulles Airport. The baseball relocation committee seemed to prefer the urban setting, but the politics in D.C. was making that option exceedingly difficult. In late August, the Service Employees Union, which opposed public financing of a stadium, released the results of a poll of D.C. residents taken in June 2004. Of 571 people surveyed, 70 percent opposed public funding and more than half had strongly opposed any public subsidy.

Stadium financing would become an issue of debate in the City Council election races in the fall of 2004 and the opponents of public subsidies prevailed. The Mayor now had a real deadline. The Council would have to act before the newly-elected Council members were sworn in on January 1. The day after the primary, city officials and baseball's relocation committee met for 18 hours to try to reach a memorandum of understanding that would govern the relocation, the temporary use of RFK stadium for the team, and the financing and construction of a new stadium. On September 15, 2004, the District finally unveiled its official plan for a new stadium. In a presentation made by the Mayor's Office to the D.C. Council, the District offered to construct a new stadium near the Anacostia River waterfront as part of a $440 million package.

The proposal would be financed with 30-year bonds. Annual debt payments would be covered by a combination of a gross receipts tax on larger D.C. businesses, stadium rent from the team's owners, and in-stadium taxes on tickets, concessions, and merchandise. The District would fully finance the new stadium, but the deal would include free tickets for low-income children and priority consideration for D.C. residents and minority contractors for available jobs. The District had caved, and Major League Baseball was thrilled. On September 29, 2004, Commissioner Bud Selig called Mayor Williams to inform him that the Expos would be relocating to the District of Columbia for the 2005 season.

It would not be smooth sailing for the District, however. Opponents on the City Council immediately began to criticize the agreement and vowed to vote it down. Ninety economists signed a public letter to Mayor Williams denouncing the stadium plan as economically disastrous. Other critics noted that the deal could significantly underestimate the cost of the stadium's construction. The stadium agreement placed responsibility for all potential cost overruns on the District. Opponents questioned the city's dollar estimate since it did not include funding for necessary infrastructure and road improvements.

On October 5, 2004, hundreds of D.C. residents held a rally to protest the use of taxpayer funds of any kind to build a baseball stadium instead of funding schools, hospitals, or affordable housing.  A loose coalition of interest groups called "No D.C. Taxes for Baseball" participated in the rally, along with dissenting members of the City Council. Neighborhood meetings and public hearings offered critics a public forum for their complaints about the project. To add fuel to the fire, shortly before the open meetings the Chief Financial Officer for the District released an analysis that suggested that construction and renovation could cost $91 million more than the original $440 million estimate. The additional funds would be needed for road, sewer, and subway improvements, more RFK stadium renovations, and money for a contingency fund in case of cost overruns.

When the City Council began to debate the Mayor's bill, he strategically added to his package a $450 million community fund for schools, libraries, and recreation centers, which would be funded by a combination of bonds, a portion of the annual gross revenue business tax, some existing funds in city coffers, and the creation of a tax-increment financing district around the stadium. In committee, tempers flared between Council members opposed to the public subsidy and those who supported the Mayor. However, the Mayor appeared to have the votes he needed to pass the legislation.

Two days later, however, Council Chairwoman Linda Cropp shocked the pro-stadium advocates by breaking with Mayor Williams and proposing that the publicly-funded baseball stadium be built at the RFK stadium site as an alternative to the Mayor's Anacostia site. Cropp, who had been a staunch ally of Williams throughout the relocation process, cited the excessive costs of the Anacostia site as her reason for preferring the RFK site. Cropp had read the political winds, and a gale was rising against the deal negotiated with baseball's relocation committee. A *Washington Post* poll indicated that more than two-thirds of D.C. residents opposed using public funds to build a baseball stadium in the city. In effect, Cropp's proposal was meant to save the relocation by lowering the cost to the District. Proponents of the Anacostia site lashed out at Cropp, who was now being mentioned as a possible mayoral candidate in 2006 along with other opponents of the Mayor's plan.

The Council was split on the relocation site as the vote approached. The Mayor was able to procure one wavering vote by pledging that the first $45 million from the community investment fund would go to improve neighborhood libraries. Williams wooed additional votes with a promise to build a $5 million recreation center, $2 million for a high school, and $50 million for assorted commercial development.

On the day of the scheduled vote, after two hours of closed-door Council debate Cropp pulled another about-face. Seeing that Williams' Anacostia proposal had the necessary votes to pass, she exercised her power as Council chairwoman to remove the bill from consideration, delaying the vote till November 23. In addition, she pulled her RFK stadium site proposal and instead announced a plan to raise $350 million in private financing for a stadium to be located at the Anacostia site. While she had no funding details at the time, she planned to use the two weeks before the vote to finalize her alternative. Two days later, Cropp softened her stance on the stadium. She said she would support the Mayor's stadium plan if the plan stipulated the possibility of private funding in the future. The Mayor's coalition quickly accepted her compromise, agreeing to amend the bill to include a six-month search for private funding for the ballpark. None of these private funding alternatives would pan out, and the cost estimates for the ballpark continued to rise.

Last minute maneuvering by opponents for individual Council votes came to naught and after seven hours of debate the Mayor's stadium bill passed 6-4, with three members abstaining. Half of the votes for the bill came from lame-duck councilmen who had been voted out of office two months earlier. The following week, Major League Baseball owners voted 29-1 in favor of relocating the Montreal franchise to Washington. Under City Council rules, however, a second vote was required to finally approve the package.

Linda Cropp sprang another last minute surprise at the December 14 Council vote. Eleven hours into the debate, unsatisfied with baseball's concessions and driven to keep the public's stadium costs down, she proposed an amendment that would require that the stadium construction be at least 50% financed with private funds. While the city would still be responsible for infrastructure costs, the amendment would limit the city's investment in the stadium construction itself to $142 million. Cropp threatened to vote against the stadium bill if the amendment did not pass. Concerned that the bill would not pass without Cropp's vote, council members voted to pass her amendment, 10-3. Mayor Williams stormed out of the Council chambers shortly after the amendment passed and refused to speak to reporters. The stadium deal then passed, 7-6.

Baseball responded without hesitation on December 15, calling the new Council bill "wholly unacceptable" and halting all business and promotional activity for the Washington franchise, now officially named the "Nationals," including the scheduled unveiling of the uniforms later that day. By requiring more private funding for the stadium, the Council undercut baseball's efforts to sell its franchise, since it would receive a much lower price for a team without the certainty of a publicly-built stadium. Cropp received a storm of angry phone calls and e-mails from stadium supporters, including racist and sexist comments and two death threats for her actions.

Faced with the reality of losing the baseball franchise, Cropp blinked. The night before the Council's next meeting on December 21, she announced in a news conference that she and the Mayor had agreed on a proposal in which the city would continue pursuing private financing of up to 50% of the project, but the deal would not be contingent on finding such financing. After an excruciatingly difficult political process, the Washington Nationals were born.

The political fallout from the protracted and divisive negotiation and approval process hurt all the principals. There were few political winners in the baseball deal. Most blamed Mayor Williams for negotiating a bad deal with baseball owners and failing to effectively sell the deal to the public. Only a minority approved of the way Chairwoman Cropp handled the baseball situation. Stadium opponents who had lauded her as a hero for her stiff resistance to the baseball oligarchs felt betrayed by her ultimate support for a deal relying mainly on public financing. A vast majority of District voters still opposed the use of public funds to build a baseball stadium. For all the debate and discussion about the potential of private financing for construction, eventually the entire financing for the new stadium would come from the District's coffers.

Mayor Williams decided not to run for reelection in a crowded 2006 mayoral race in which no fewer than 5 of the 13 council members considered running. Instead, he would endorse sometime stadium foe Linda Cropp in the Democratic primary race. Adrian Fenty, a consistent opponent of the Mayor's plan, ran away with the vote. After her campaign fell short, Cropp retired from politics. In all, after numerous cost estimates, each more than the previous one, the final public price tag for Nationals Park was $693 million.

The economic development which was touted for the District's waterfront area surrounding the stadium had not occurred as of 2012. Less than one-third of the neighborhood had been revitalized as planned. Properties in the area remained empty, barred to the public by fences adorned with artist's renderings of future condos and hotels. The principals blamed the slow rate of development on the recession, and they preached patience. There was no easy way for the District's government to deal with baseball, but the jumbled and erratic political process caused a morass of intrigue, maneuvers and double-dealing.

## Put Your Best Offer on the Table

When professional team athletes finally recognized in the late 1960s that they pursued their trade only at the pleasure of club owners with terms and conditions of employment set unilaterally by management, the athletes collectivized their bargaining power and formed unions. Within a few years, professional sports unions had revolutionized the business model that had endured for decades and, in the case of Major League baseball, for a century. By the mid-1970s, the unions – sometimes with the assistance of courts and labor arbitrators -- had revolutionized team sports. They pressured sports management into creating a market for players that better reflected their contribution to the sports commercial enterprise.

Major league teams in the four team sports treat cities in a fashion similar to the way they had always treated their ballplayers. Playing one city against another, franchises demanded and received transfer payments for their agreement to locate in one place or move to another. As the only game in town in any one sport, the clubs extracted impressive public subsidies.

Cities without clubs in the four team sports remain willing to pay to capture a major league franchise, just as Washington, D.C. did to secure the former Expos. They would use their powers of eminent domain to obtain land for a project and offer tax abatements. They would raise the capital needed to construct an attractive sports facility. As long as cities compete for the limited number of franchises, political realities will generate public subsidies. Only when cities in effect "unionize" to resist club demands will the economic coercion abate. That will likely require Congressional action to avoid potential antitrust liability, and that is unlikely considering the current reality of the national political process. Moreover, cities that lack franchises would want nothing that could impede their franchise acquisitions. Cities will remain victims of their own greed for glory, while clubs walk away with the public fisc.

Authors deMause and Cagan summarized the current scorecard on governmental subsidies as follows:

> [A]t any given time one quarter of major league teams is playing in a new building, one quarter is awaiting the construction of one, another quarter is lobbying to get one built – and a final quarter is waiting in the wings for its turn at the plate.

## NOTES

The foremost work on public subsidies of private sports franchises remains SPORTS, JOBS AND TAXES: THE ECONOMIC IMPACT OF SPORTS TEAMS AND STADIUMS by the two premier scholars in the field, Roger Noll and Andrew Zimbalist. FIELD OF SCHEMES: HOW THE GREAT STADIUM SWINDLE TURNS PUBLIC MONEY INTO PRIVATE PROFIT by Neil deMause and Joanna Cagan is more colloquial, but valuable for its insight. There is also an accompanying website which updates the latest developments in the field. Robert Trumpbour's THE NEW CATHEDRALS: POLITICS AND MEDIA IN THE HISTORY OF STADIUM CONSTRUCTION and Kevin Delany and Rick Eckstein's PUBLIC DOLLARS, PRIVATE STADIUMS: THE BATTLE OVER BUILDING SPORTS STADIUMS are also quite useful.