Sport facilities, public subsidies, and urban development

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Independent, scholarly research continues to question the logic of using public subsidies to finance sports facilities for sports franchises in North America (cf. Coates & Humphreys, 1999; 2003; Rosentraub, 1999). As a result, research has also sought to examine the issue from different perspectives, including the manner through which the stadium issue has been addressed by local politicians (Friedman & Mason, 2005), the public goods value of teams and facilities in communities (Johnson, Groothuis, & Whitehead, 2001; Johnson & Whitehead, 2000), and the ways in which the debate over the use of public funds is framed by the local media by stakeholders (Turner & Marichal, 2000). This symposium explores the issue of public subsidies for sports facilities in three unique and complementary ways. The first paper employs a mixed methods approach to examine externalities generated by professional sports teams and stadiums in urban areas. The second examines the media discourse surrounding the use of funds to build new arenas for local junior hockey franchises. The third paper takes a broader approach to reviewing the state of sports facilities and urban development to discuss whether some cities have developed new and innovative ways to incorporate facilities into more comprehensive development projects. As a result, each makes a unique contribution to our further understanding of how sport facilities impact on local communities, and the how the use of public subsidies may be reasonably justified. The following three papers will be presented:

A) Do public good externalities generated by sports teams and stadiums justify public subsidies? Michael Mondello, Brad Humphreys, and Richard Schwester

Despite the overwhelming empirical evidence refuting the claims that mega sports events and stadiums generate substantial economic impact on local communities, the use of public subsidies to build stadiums and arenas continues to happen in North America (Coates & Humphreys, 1999, 2003). However, it could be argued these economic studies fail to consider the fact professional sports teams may enhance a city’s quality of life and local residents may derive utility benefits without attending the actual sports event (Schwester, 2007). These externalities include increased community image and awareness, stimulation of economic development, and psychic income. In response to the consistent findings associated with economic impact analyses, scholars (Groothuis, Johnson, & Whitehead, 2004; Johnson, Mondello, & Whitehead, 2006; Johnson, Mondello, & Whitehead, 2007) have recently utilized the contingent valuation method (CVM) to measure the non-pecuniary benefits generated by sports teams. CVM has been historically used in the environmental sciences to place value on goods which are traditionally not exchanged on the open market. While CVM has received endorsement as an alternative to EI analysis (Crompton, 2004), its validity has also been subject to criticism due to CVM’s hypothetical nature (Walker & Mondello, 2007). We examine the externalities generated by professional sports teams and stadiums in urban areas. Our methodology consists of a mixed-methods approach following the work of Schwester, 2007 that utilizes survey data, interviews and data drawn from secondary sources. However, we expand this approach to include additional qualitative methods to allow respondents the opportunity to discuss their views on public subsidies. This methodology could provide insights into public subsidies which are not captured by survey techniques. Findings, implications, and future research directions will be discussed.

B) Little Big League? The debate over public subsidies for junior hockey arenas. Daniel S. Mason

Despite a lack of evidence of positive economic impacts, sports facilities built for major North American sports franchises receive public subsidies from willing host cities. As more independent research reveals the minimal positive economic impacts that can be achieved, other arguments - including image benefits and psychic income - have been more widely employed to justify subsidies. While this continues to occur at the Major League level, this issue has also emerged in smaller communities. One example occurs in mid sized Canadian communities, where there has been a stadium construction boom over the past 10-15 years for arenas built for Canadian Hockey League (CHL) franchises (Mason et al., 2007). In cities of 75,000 - 500,000, the decision to pay upwards of $65 million for an new facility represents a significant policy issue that involves substantial financial
risk. The purpose of this paper is to review the manner through which arena subsidies have been debated and justified in cities that have built or are considering building arenas to host CHL franchises. Following an overview of the construction boom for CHL cities, newspaper coverage in cities will be examined. Using the databases Factiva and Canadian Newsstand, searches of online newspaper articles will be undertaken. Articles for each city will then be coded to identify themes associated with the benefits put forward to justify the public subsidy. These will then be compared across communities, and then with secondary works examining major league communities. In doing so, it is hoped that insight into how this process plays out in smaller communities can be achieved, and to determine if the same arguments for and against public subsidies for arenas are being made in smaller communities.

C) Major League losers into winners? How cities benefit from sports facilities. Mark S. Rosentraub

In the 1980s and 1990s cities across North America built new sports facilities. The overwhelming majority of these facilities built for teams from the four major sports leagues received extraordinary public subsidies with some governments agreeing to use taxpayers' money to pay for the full cost of construction. The largesse from state and local governments did not end with a facility's construction. In several instances teams received leases that gave them control of all or most of the revenues generated by these new palaces while assigning responsibility for maintenance to the same taxpayers who paid for construction. Deals like this - commonplace across two decades - produced a chorus of criticism. Some analysts described these financial arrangements as a perverse welfare system transferring wealth from taxpayers to team owners and their well-paid players. Using wealth and population statistics the metropolitan areas of the United States could support more than 40 baseball teams and 42 football teams. Having fewer means even the Dallas Cowboys - one of football's most profitable teams - could receive a subsidy to move from Irving to Arlington and become the wealthiest sports franchise on the planet. Scarcity is what drives the sports welfare machine.

The control over the supply of teams by the sports leagues creates an uneven playing field for negotiations between owners and communities. How do cities go from being Major League Losers to Major League Winners in this difficult negotiation? There are cities that have used the tax dollars invested in sports facilities to change their communities. There are also team owners who have developed public/private partnerships that have let cities join the teams in the financial benefits produced from sports. This paper explores the principles and practices that create a platform for benefits for cities and sports teams that generates positive returns for both.

References: