

redevelopment projects. However, given the immediate political advantages and the apparent economic advantages of “proven” redevelopment projects, and given a possible lack of viable alternatives, the standardization of urban tourism districts may continue unabated gradually transforming contemporary cities into “placeless” tourist destinations.<sup>31</sup>

## **Stadiums**

Sports stadiums have increasingly become a centerpiece of tourism redevelopment efforts. The willingness of cities to finance these projects derives from the perception, often shared by public officials, sport boosters, and city residents, that the presence of a sports franchise can play a determinative role in economy and reputation of a city. Franchise owners have taken advantage of this perception and requested massive subsidies for the construction of new venues for their teams. The following discussion examines the benefits and costs associated with sports stadiums, and then considers the political circumstances surrounding their promotion and implementation.

### **Benefits**

Numerous studies show that stadiums are not self-financing projects. That is, they are unlikely to produce enough revenues to pay for their operating and capital costs, cost of land, and infrastructure.<sup>32</sup> Thus, those who endorse stadiums as a tool for economic development must justify stadium subsidies in terms of additional benefits. These benefits fall into four categories: new spending, multiplier effect, new jobs, and intangible benefits.

#### *New Spending*

A portion of a sports facility’s economic impact consists of the new spending it generates. New spending, unlike total spending, refers only to direct spending that would not have occurred but for the operation of a new facility. For instance, if the amount spent on tickets at a new stadium had been spent on some other form of recreation if the stadium did not exist, that amount would not represent real economic growth. Instead, it would represent merely a relocation of spending within the recreation sector. A sports facility, therefore, increases the size of the economy only to the extent that it increases aggregate overall spending. This may happen under the following circumstances: (1) when the facility induces greater spending by residents; (2) when people from outside the jurisdiction come to the venue for an event; (3) when the venue deters residents from spending their money at another jurisdiction; (4) when visiting teams spend money during their

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<sup>31</sup> Hannigan, 1998, p.165.

<sup>32</sup> Euchner, 1993.p. 66.

visit.<sup>33</sup> New spending can take place within the stadium, or it can take place in nearby businesses in connection with a stadium event.

Numerous studies have concluded that stadiums have a minimal, and perhaps even a negative effect<sup>34</sup> on the local economy<sup>35</sup> regardless of whether such impact is measured by overall economic activity, income, employment, or net tax revenues, or whether the unit of analysis is the local neighborhood, the city, or the entire metropolitan area.<sup>36</sup> Economists John Siegfried and Andrew Zimbalist, who have undertaken several studies of the economic impact of stadiums, note that, although “few fields of empirical economic research offer virtual unanimity of findings[,] independent work on the economic impact of stadiums has uniformly found that there is no statistically significant positive correlation between sports facility construction and economic development.”<sup>37</sup> They cite nine studies, eight of them conducted by different economists, all of which arrive explicitly or implicitly at the same conclusion—that stadiums do not induce any new spending.

### *Multiplier Effect*

The multiplier effect refers to secondary economic activity resulting from the infusion of new dollars into a local economy. Given that stadiums do not induce new spending, we can expect the multiplier effect to be very low. As a general matter, local multiplier effects tend to be much lower than national ones because portions of the new spending leave the local economy before having an impact. Stadium construction serves as an apt illustration. Suppose that \$300 million were spent building a stadium. For the purposes of the hypothetical, assume half of this money is lost to the local economy right away because it is used on imported building materials. Suppose, then, that, of the remaining half that goes to construction workers and contractors, only half is spent within the local service sector. Again for the purposes of the hypothetical, assume that this remaining portion of the \$300 million is spent in such a way that only half remains in the local economy in each subsequent round of respending. In this scenario, the multiplier will be less than  $1/2 + 1/4 + 1/8 \dots$ . In short, it will be less than one, making stadium construction an ineffective

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<sup>33</sup> Johnson, 1993.

<sup>34</sup> The possibly negative effect may be explained by the deterrent effect that congestion associated with stadium events may have on regular neighborhood patrons.

<sup>35</sup> Noll and Zimbalist, 1998; Baade and Sanderson, 1997a; Rosentraub, 1997.

<sup>36</sup> Noll and Zimbalist, 1998.

<sup>37</sup> Siegfried and Zimbalist, 2000. p.103.

way to “jump-start” the local economy.<sup>38</sup>

Multiple “leaks” abound in the operation of sports franchises. Ticket revenues are shared with the league or with the visiting team in both baseball and football. Most players do not live where they play, nor are they likely to spend locally a significant portion of their enormous salaries during the seasons of playing time of their short careers. Lastly, most employees of sports franchises live outside the immediate neighborhood of their facility where they work. While these various leaks may not be the primary obstacles to the possible economic benefits associated with stadiums, they do constitute a further erosion of sports franchises’ already meager capacity to expand the local economy.

### *Jobs*

Since demand from labor derives from demand for goods and services, we can derive a stadium’s effect on job creation from the research on direct spending. If stadiums do not correlate with an increase in new spending, no *new* jobs will be created.<sup>39</sup> Sports revenues applied to wages disproportionately go to a relatively small number of higher-paying part-time positions as players, coaches, managers, and administrators. The remaining revenues go to low-wage, low skilled, part-time positions at the stadium. Since sports franchises do not expand the size of the local economy, their operation, in effect, concentrates income, and replaces full-time jobs with part-time low-wage jobs.<sup>40</sup>

### *Intangible Benefits: Reputational and Civic*

Sports boosters contend that having a team puts a city on the national map and gives it a sense of municipal ascendancy. The research discussed above establishes that these reputational effects do not translate into economic benefits. Thus, one can deduce that the presence of a professional team does not draw either new business or new residents to an area.

Sports boosters also highlight sports teams’ capacity to engender a sense of civic pride. The ersatz epic battles that teams wage on the playing field offer residents a forum in which they can collectively define themselves in opposition to an outside entity (i.e., the visiting team, as representative of another city). Although it would be impossible to quantify this positive

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<sup>38</sup> Euchner, 1993. p 69. Quoting Wilbur R. Thompson, *A Preface to Urban Economics* (Baltimore: Johns Hopkins Press, 1965), p.206.

<sup>39</sup> Baade and Sanderson, 1997a.

<sup>40</sup> Noll and Zimbalist, 1998.

externality, it should, nevertheless, be qualified by two considerations. First, because civic pride cannot be quantified, residents who value the presence of a team could conceivably add up to no more than a highly visible minority. Second, it would be naïve to assume that sports teams are, ipso facto, municipal icons. Their iconic status depends largely on their historical performance and on their longevity, factors that, given team owners' increasing appetite for relocation, render teams' contribution to civic life an uncertain proposition.

### **Costs**

New stadiums can be an expensive undertaking. In the majority of cases, the public sector assumes most of this expense.<sup>41</sup> This tendency stems largely from the superior bargaining position of sports franchises vis-à-vis the public sector. This advantage relates in part to the power of sports leagues to limit the number of sports franchises. Since the demand for teams greatly exceeds their supply, interested cities are forced into a bidding war that pushes prices for teams far beyond what they might be under free market conditions. Given competition between teams themselves, each new set of concessions offered by a city sets a new standard that all other teams will try to meet and exceed when they enter into negotiations with their respective cities.<sup>42</sup> Finally, the cost of a stadium to a city consists of more than merely its subsidy; it also includes the opportunity costs associated with that budgetary allocation. The millions used to subsidize an activity that has only a marginal, and possibly a negative, local economic impact, could have been used to subsidize, for instance, an industrial park. In this example, the effective cost of a new stadium would consist of its public subsidies plus the net economic impact of new industrial activity that such an alternative investment might have generated.

### **The Politics of Stadiums**

In a time of limited municipal resources, cities have turned to public-private partnerships as their primary redevelopment tool. Redevelopment strategies have therefore consisted largely of creating hospitable conditions for private investment. These strategies are often driven, not by the best interest of the city, but by the efforts of public officials to maximize political gain and by the efforts of private parties to parlay their superior bargaining position into greater public concessions.

### *The Winners*

The benefits of stadium construction are concentrated on a small group of stakeholders that

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<sup>41</sup> Austrian and Rosentraub, 2003.

<sup>42</sup> Euchner, 1993, p.24.

generally includes team owners, media outlets, sports fans, real estate interests, banks, construction firms, unions, and public officials.<sup>43</sup> The political currency of highly visible projects tends to exceed that of projects that, because of their timeframe, scope, or nature, have diffuse or not easily quantifiable impacts. For this reason, stadiums and the presence of a sports franchise, in their immediacy, hold substantial appeal for city officials. Changes in the city's physical landscape and the revenues and jobs directly generated by sports facilities serve as visible signs of ostensible economic development. Moreover, media coverage of sporting events in a new stadium offers ongoing free advertisement of a political victory. Thus, to the extent that their interests converge, public officials and the beneficiaries of stadium construction form a powerful coalition against which opponents of stadium subsidies have limited recourse.

### *The Opposition*

The rhetoric of development does not differentiate between winners and losers. Rather, it underscores benefits to all, even when a disproportionate amount of benefits accrue on a few. This rhetoric becomes useful strategically in garnering support for potentially disruptive projects. Beyond rhetoric, public officials have taken great care in recent years to avoid political opposition by implementing such projects in ways that minimize their disruptive side-effects.<sup>44</sup> That has proven relatively easy with sports stadiums. Most cities have available land in their periphery or in abandoned industrial sites where they can easily accommodate stadiums without arousing much popular resistance.<sup>45</sup> Additionally, because of their minute economic impact, sports stadiums do not conflict with many interests, and what negative impacts they do have are unlikely to mobilize an opposition.<sup>46</sup> The negative effects of stadiums diffuse themselves throughout a city's entire population. Since almost no one is made that much worse off, few individuals have a great incentive to challenge the pro-stadium agenda of a vocal minority. In fact, residents would find it extremely difficult to even trace cutbacks in capital project funding back to the decision to finance a stadium.

When given a chance to voice its opinion, however, the public often does oppose stadium subsidies. Voters rejected the public support of sports facilities in thirteen out of fifteen referendums held during the 1970s and 1980s.<sup>47</sup> Hoping to avoid the airing of public opposition,

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<sup>43</sup> Euchner, 1993.

<sup>44</sup> Altshuler, 2003. chp.2.

<sup>45</sup> Ibid. p.38.

<sup>46</sup> Euchner, 1993. p.14

<sup>47</sup> Altshuler, 2003. p.34.

public officials have sought alternative sources of financing, such as facility user taxes, which are less likely to trigger referendum requirements.<sup>48</sup> When referendums are required, or perhaps to garner greater support from constituents, city subsidies take the form of less-visible concessions, such as better lease terms, property tax exemptions, long-term maintenance commitments, collateral infrastructure investments, and land contributions.<sup>49</sup> These low-profile subsidies allow cities to, in effect, match, or even exceed, what they would have otherwise committed in public funds, while still being able to semi-truthfully proclaim that no public funds were devoted to the construction of a stadium. In the end, while public opposition and referendum defeats may force public officials to resort to more politically palatable forms of financing, pro-stadium coalitions generally prevail and teams get generously subsidized new facilities.

### **Coney Island Redevelopment**

Coney Island remains, because of its celebrated history, one of the most famous amusement districts in the world. It also remains a popular recreational venue for low-income New York City residents. This history and current function compel its redevelopment as a visitor destination. Coney Island's amusement area, however, is located amidst an impoverished neighborhood, and retains to some degree the notorious reputation it acquired during past decades. Because of this, the redevelopment of Coney Island raises the question of how the amusement district will relate to its surroundings. Can Coney Island serve both visitors and local residents? To what extent will economic activity within the amusement area percolate throughout the neighborhood? Does the introduction of middle-class attractions and services require the displacement of the low-income establishments that currently prevail in the area? Or, conversely, do low-income uses preclude the introduction of middle-class establishments?

Beyond the relationship of Coney Island's amusement district to the rest of the neighborhood, redevelopment efforts must consider the history of the area. Aside from its beach and its several landmarks, Coney Island's most prized possession may be its world-famous name. Currently, the district's limited tourism activity is driven by nostalgia and by the few remaining vestiges of its storied past. A redevelopment of the area, however, would have to conform to some extent with market imperatives and political considerations, something that has often resulted in generic

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<sup>48</sup> Noll and Zimbalist, 1998.

<sup>49</sup> Althshuler, 2003.p.35.

tourism projects. This possibility raises the question of whether the standardization of Coney Island's amusement landscape would undermine or enhance its tourism appeal.

If planners and public officials do decide to undertake projects that capitalize on the historic value of Coney Island, their efforts must involve an understanding and promotion of the meanings associated with the area. Debates over the authenticity of new development could revolve around a number of issues depending on the redevelopment's form. Reconstructions and replicas could be attacked for their inaccuracy or for being mere facsimiles of absent originals. Incongruous projects, on the other hand, could be criticized for calling attention to their lack of "authenticity" by not conforming to the style and spirit of their historic surroundings. Ultimately, visitors and potential visitors will be the ones to assign a value to the authenticity of the new Coney Island.

The redevelopment of Coney Island began with the construction of a minor league stadium. Although the project faced stiff opposition during its planning stages, it was ultimately implemented and financed entirely by the City. Promoters of the project justified this public investment in terms of the economic benefits the stadium would impart on the neighborhood. This development, then, raises questions about the stadium's impacts and about the political circumstances that surrounded the planning of this project. Who participated in the process? Who opposed the project and who endorsed it? Who benefited from its results? One of the consequences of this project was the creation of an LDC charged with devising a master plan for the area. The planners of the stadium could afford to circumvent the above debates because the stadium constituted a single project located in an isolated parcel. The CIDC, however, will have to grapple with these debates as it plans for the future of Coney Island.