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Summary

Proponents of bringing Major League Baseball to Portland maintain there's great support for it, and the economic benefits would be substantial. If true, proponents should be able to raise private funding to build a privately-owned stadium, a long American tradition. However, independent research demonstrates that the touted benefits are unlikely, which may explain why proponents want to build a stadium with taxes.

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The Field of Economic Dreams

By Matt Roehr, CFA and Kurt T. Weber

Portland, Washington, DC and Northern Virginia are competing to get the Montreal Expos. In the process, Oregonians should remember: a baseball team is a private business. As a private business, a team should build its own facilities. Raymond J. Keating highlights, prior to 1953 every ballpark built specifically for Major League Baseball was funded 100 percent with private dollars. Stadiums and arenas have since been privately built as well.

Keating, chief economist for the Small Business Survival Committee, notes, “The private sector gave us such gems as Detroit’s Tiger Stadium, Boston’s Fenway Park, the Bronx’s Yankee Stadium, Brooklyn’s Ebbets Field, Philadelphia’s Shibe Park, and Chicago’s Wrigley Field, to name just a few.” (Multnomah Stadium in Portland, now called PGE Park, was privately built in 1926.)

In the 1990s, “Toronto’s Air Canada Centre, Atlanta’s Turner Field, Montreal’s Molson Centre, Vancouver’s General Motors Palace and Chicago’s United Center were built with either no or small government subsidies,” Keating reports. More recently, new arenas in Columbus (Ohio), Los Angeles, and Denver have been financed with little or no government aid. After voters rejected four separate proposals for a new taxpayer subsidized stadium, the San Francisco Giants moved into Pacific Bell Park, with 96 percent of the costs covered by private financing.

Unfortunately, numerous local officials and legislators have embraced corporate welfare to build a ballpark as Expo bait. Oregon House Bill 3606 would subsidize the construction of a Major League Baseball (MLB) stadium in Portland. HB 3606 would allow income taxes from player and executive salaries to back \$150 million in bonds to help pay for construction costs.

However, \$150 million won’t buy much. Pacific Bell Park’s price tag ran \$354 million, and Seattle’s Safeco Field nearly \$520 million after cost overruns. Costs escalate to meet MLB requirements, city wish lists, the Americans with Disabilities Act, environmentalists’ demands, and so forth. If Portland were granted a franchise, baseball proponents would probably push to build a state-of-the-art

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stadium, and the final cost would skyrocket significantly. Retractable roofs don't come cheap. Who will pay for that? Taxpayers will.

The City's report to MLB, *Portland at the Plate*, provides a "preliminary list of local financing options the City of Portland will be evaluating for stadium financing." Among the options: tax increment financing, hotel and car rental taxes, parking revenue bonds, a special assessment district, a local improvement district, and targeted increases in business license fees. These won't require voter approval. The report lists possible "Financial Tools" that would require voter approval: a general obligation property tax, an amusement tax, and a food and beverage tax.

Keating examined the public financing of professional sports facilities in a Cato Institute report *Sports Pork: The Costly Relationship between Major League Sports and Government*. In a related *Washington Post* article he pointed out, "almost all sports-happy politicians justify subsidies by claiming that stadiums and arenas are economic engines, and they point to supporting reports from hired-gun consultants that amount to the worst kind of economic guesswork."

Roger G. Noll, a Stanford University economics professor and co-author of *Sports, Jobs, and Taxes: The Economic Impact of Sports Stadiums*, concurs. He wrote in a *New York Times* commentary, "Independent studies of sports facilities invariably conclude that they provide no significant economic benefits.... And because a team has relatively few (but very highly paid) employees, it usually causes overall employment in a city to fall because it can drive other entertainment businesses to cut back or close."

These cut backs or closures can be the result of what economists call the "substitution effect," which many consultants ignore when attempting to sell taxpayer-funded stadium elixir. In essence, the substitution effect is "we can do this or that, but not both." In sum, people who would attend a baseball game in Portland would have less money to spend on other local and regional goods and services—fewer movies, trips to the beach, skiing and so forth.

More realistic economic analyses examine actual changes in the economy resulting from the presence of stadiums, arenas, and sports teams. Keating warns, the results of such studies "show no positive economic impact from professional sports—or a possible negative effect." Sports economist Robert Baade studied 48 metropolitan statistical areas (MSAs) over a 30-year period. Baade found, "of the 32 MSAs where there was a change in the number of sports teams, 30 MSAs showed no significant relationship between the presence of the teams and real, trend-adjusted, per-capita personal income growth."

Proponents of Major League Baseball in Portland claim there is broad-based support for, and many benefits to be gained from, such a venture. Great! Proponents should thus be able to easily corral the private money of private investors to build a private stadium to show how right they are.

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