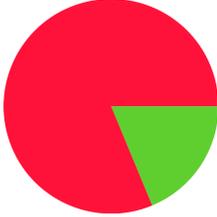


City of Sacramento

City Council (Closed Session begins @ 5:45 pm)

Tuesday, March 06, 2012

Top Discussion Item

Agenda Item	Position %
<p>16. Entertainment & Sports Complex (ESC) Report # 2012-00231 Estimated Time: 120 Minutes [To Be Delivered]</p> <p>Total Number of Comments: 16</p>	 <p> ■ Support 18% ■ Oppose 81% ■ None 0% </p>

Public Comments Summary

Opinion	Agenda Item	Support	Oppose	None	Total
✓	15. Ordinance Amendment: City's Residential Permit Parking Program (Passed for Publication 2-28-12, Published on 3-2-12) Report # 2012-00172	1	0	0	1
✗	Discussion Calendar (Item 16)	0	2	0	2
✗	16. Entertainment & Sports Complex (ESC) Report # 2012-00231 Estimated Time: 120 Minutes [To Be Delivered]	3	13	0	16
				Total	19

Public Comments Details

Agenda Item		Support	Oppose	None	Total
15. Ordinance Amendment: City's Residential Permit Parking Program (Passed for Publication 2-28-12, Published on 3-2-12) Report # 2012-00172		1	0	0	1
Dale Kooyman kooyman801@gmail.com 801 21st Stret Citywide Sacramento CA	I am unable to attend the council meeting due to a prior commitment. But I recommend approval of Item 15. I commend highly & thank parking staff for their outreach to numerous residents. I served on the Stakeholder Group which held several meetings. Various neighborhoods have differing needs. Staff have done an excellent job of balancing interests, needs & streamlining the process. More outreach should be done on more issues to enable the public to express and staff to hear resident needs.				Support 3/5/2012 

Agenda Item		Support	Oppose	None	Total
Discussion Calendar (Item 16)		0	2	0	2
megan crose crosemegan@yahoo.com 1467 tradewinds ave District 4 sacramento ca	No written comment was submitted.				Oppose 3/4/2012 
megan crose crosemegan@yahoo.com 1467 tradewinds ave District 4 sacramento ca	No written comment was submitted.				Oppose 3/4/2012 

Agenda Item		Support	Oppose	None	Total
16. Entertainment & Sports Complex (ESC) Report # 2012-00231 Estimated Time: 120 Minutes [To Be Delivered]		3	13	0	16
Shane Singh ssingh@kringandchung.com 2620 J St. #1 (business) District 7 Sacramento CA	This is about jobs, economic recovery, a catalyst for railyards development and saving the Kings. I challenge CM Sheedy (or any other CM) to provide an alternative plan for jobs and/or railyards development if they oppose this item. Also, CM Sheedy's report fails to articulate the background of the referenced projects. How many of the other city's had an empty whole the size of our railywards in their downtown "core"? I strongly urge you to vote YES on this item. Thank you.				Support 3/6/2012 
Matt Hertel Citywide Sacramento CA	Good Afternoon Mayor and Members of the City Council, As a resident of Sacramento, I encourage you to approve the term sheet for the proposed Entertainment and Sports Complex (ESC). I strongly believe that the risk of the City's investment will be well worth the reward. In addition to keeping the Kings in Sacramento which provides Sacramento a national platform to promote tourism, the ESC will be a major catalyst for private investment and will provide an influx of sales and property tax.				Support 3/6/2012 

<p>betty tice b_tice@sbcglobal.net 2325 american river drive District 6 sacramento, ca ca</p>	<p>please support the agreement to build a sports stadium.</p>	<p>Support 3/5/2012</p> 
<p>Jn Bergeron anicca2@sbcglobal.net 20204 14th St District 4 sacramento Ca</p>	<p>This is a vote between our neighborhoods and downtown wealthy special interests. Assuming this plan is a fiscally sound way to raise money, what is the best use of that money, a new arena, or maintaining essential city infrastructure and services; open pools, parks and community centers, open fire stations, fully funded public safety? this is typical welfare for the rich, while it's service cuts and rate increases for the rest of us. I don't know about any Sacramento welfare queens, but this will give us a whole team of Welfare Kings. Vote it down or it will be a reelection issue.</p>	<p>Oppose 3/6/2012</p> 
<p>Angelina Chavez Midtown District 4</p>	<p>Senior Citizen born in Sacramento, lived here on my life. I really think that the arena was not studied throughly and not given enough time. I also feel the citizens of Sacramento did not have any imput, I am dissappointed we didn't have the opportunity to vote.</p> <p>The city may receive much less than what it is worth. We are selling valuable property and giving away \$9 million a year that we get for our city parking and garages. Too big of a financial risk.</p>	<p>Oppose 3/6/2012</p> 
<p>Darien De Lu conjoin@macnexus.org 3709 Miller Way District 6 Sacramento CA</p>	<p>I believe that an equivalent investment in development of the rail yards would yield far more commerce in the greater Downtown area than the arena will.</p> <p>To lease out City parking for 50 years to construct an arena with a 20-year lifespan - and without any guarantee of the continued presence of a sports team - is not fiduciarly responsible!</p>	<p>Oppose 3/6/2012</p> 
<p>Conny Anderson connyzmail@sbcglobal.net 3132 16th Street District 4 Sacramento CA</p>	<p>I strongly OPPOSE selling/leasing the city's PARKING income stream and ask that you vote NO. We've been struggling with keeping police officers and retaining all of our fire department facilities open. We will soon need new water intake and discharge facilities, and our neighborhoods need help. WE CANNOT AFFORD TO LOWER THE INCOME AVAILABLE TO OUR CITY BUDGET.</p> <p>Conny Anderson</p>	<p>Oppose 3/5/2012</p> 
<p>Jeff Donlevy jrd@recyclingindustries.com 8812 Garden Glen Way District 6 Sacramento CA</p>	<p>This is the WRONG use of PUBLIC MONEY. Very HIGH RISK for the City, LOW RISK for the Kings and AEG. The City should allow the private markets to determine the need and funding source for such a project. The City IS NOT in the financial position to buy a building that will have questionable returns based on assumptions with potentially HIGH negative impacts on the General Fund.</p> <p>Let the People Vote on this Project so they can approve or reject this.</p>	<p>Oppose 3/5/2012</p> 
<p>Richard Green dickgreen@surewest.net District 4 Sacramento</p>	<p>Not convinced ESC THE catalyst to attract broader business base with more employees/businesses affording ESC events. PLEASE CONSIDER Public Authority parking(PA) model. DO NOT pursue quick buck with a 50 year privatized lease. AEG/Kings to get 30 year leases. Why 50 year parking lease? A PA provides City influence, controls long term revenues</p>	<p>Oppose 3/4/2012</p>

	and planning (eg, best approach to "smart meter" street parking). City/County authority building VIP and nearby parking lots good. Risks? ESC is biggest.	
Steven Vincent sav74sac@hotmail.com 6th St & S St District 4 Sacramento CA	VOTE NO! The cronyism and use of public funds in this arena deal is shameful. Mark my words. This charade be the final straw ensuring b-ball Boss Mayor KJ is a one-termer... as well as anyone who foolishly follows him into this disaster. Let the Maloofs gamble in their casino, not with public funds.	Oppose 3/3/2012
		
susan quirarte susan.caldiero@yahoo.com District 3 sacramento ca	I do not support the downtown arena taxpayer rip off. Only an idiot would sell something for \$200 billion that is worth \$450 billion in revenue... and that is if parking fees don't increase in the next 50 years. Also, I read that the taxpayers will be on the hook for more than the estimated cost. Let the Kings go somewhere else or let the Maloofs put up the money for their team. I want this idea voted down. Of course Mayor Johnson supports it, he played for them!	Oppose 3/2/2012
		
District 5 Sacramento CA	Own (outright) rental home in OAK PARK. Furious with the City Council's belief that \$\$\$ should be spent on Arena with SPecial VIP parking and suites (there should be a separation of financial status at a sports event?). Pay attention to those who live and work and believe their taxes should go for police protection, fire departments and EMTs, libraries, street and garbage pickup, water & septic services, sidewalks and bike paths, parks, and swimming pools for the families who can't afford them	Oppose 3/2/2012
		
District 6 Sacramento CA	FURIOUS with Council's position so far on giving the arena proposal \$\$ and the support it has received. Where is YOUR COMMON SENSE and Responsibility to those who elected you? Why aren't you busy working on items that are affecting EVERYONE and that includes: police protection, clean streets, public parks and pools, libraries, after school programs and athletic teams for kids, up keep on public schools and their uses 24/7, and fire departments fully staffed? Please stop this Mistake Now!!!	Oppose 3/2/2012
		
Lisa Salaires lisa@mutualhousing.com Valletta Way District 6 Sacramento ca	I spoke out against the sales tax that was misleadingly presented to the public as a general tax even though it was for the arena. I watched the Maloofs sit bored as many of your voters spoke out against the waste of public money. I voted with the majority to vote down the proposal. I am livid that the Council is now attempting to go around what the voters said with their ballots and that this has not been made a more public process. I'm disappointed to have to write this email. Please rethink.	Oppose 3/2/2012
		
James Peddy jimpeddy@me.com 2017 11th Street Sacramento CA	The arena deal is very complicated and will be very expensive for citizens of Sacramento and the region. The promoters and boosters are griped by a blind madness. Our economy is weak and this deal is not right for our condition. The priorities are wrong. Please stick to your promise not to back-stop cost over-runs and contingencies with general fund money. Even the \$391 million construction estimate is low-ball. How will we not have to pay more when the money runs out, walk away? Silly.	Oppose 3/2/2012
		
jan rein janny007@sbcglobal.net	The vote on this item should be postponed at least until 3\15. The public should have adequate opportunity to read the term sheet and actually speak with their council members	Oppose 3/1/2012

District 4
sacramento CA

before council decides such a critical matter as whether the public should subsidize a new arena for the Kings. As of 5PM 3\1,he term sheet is still not up but even if it were, 3 business days before the meeting does not give the public sufficient time to email and speak with their elected representatives.



Honorable Mayor Kevin Johnson
City Council Members and
City Manager John Shirey

March 2nd 2012

I'm writing this letter to you today to voice my support for the recommendations of city staff as stated in the Entertainment and Sports Complex Report (# 2012-00231).

Sacramento's budget has been especially hard hit year after year, due in large part because the city has been far too dependent on property tax revenue. Our city is mostly dependent on the state government for our employment base, which puts our city at constant risk when the state budget is either late or subject to cuts. We have seen the devastating effects of 'Furlough Fridays' on our small business owners in the downtown core.

Now we are presented with an opportunity to construct a state of the art Entertainment and Sports Complex (ESC) as a catalyst project for our Rail Yards. This project represents a true public and private partnership between the City of Sacramento, the NBA, the Maloof family, AEG and Icon/Taylor.

The proposed contributions by AEG and the Maloof family are significant and this project would not be possible without them. Additionally, this proposal with the ticket surcharge will ensure the current revenue now going into the general fund is not lost and the additional \$1 charge will ensure that the facility is maintained. AEG will successfully market this facility and Sacramento, which will lead to increased convention and tourist traffic. This project will tie together the rail yards, Old Sacramento, our waterfront, the Crocker Art Museum and our future Powerhouse Science Center.

Some will argue that now is not the time to move forward with this project. That city money should be spent on police, fire, homeless and youth services. However, these services have been cut repeatedly due in large part because the city lacks a diverse economic base. We cannot move past our local economic slump by continually cutting city services. We must grow our economy and this project represents the single best catalyst project to help accomplish that goal. A new ESC will also enhance Sacramento's ability to host concerts, performing arts, sporting, conventions and cultural events.

If Sacramento hopes to retain and attract the brightest minds then now is the time to say yes to a transformative project for our city.

I encourage you to say yes to this project and move forward with staff recommendations.

James Battles
2041 65th Avenue
Sacramento, Ca 95822
(916) 799-9046



2012 MAR - 5 P 4: 08

RECEIVED
CITY CLERK'S OFFICE
CITY OF SACRAMENTO

Dawn Bullwinkel

From: Shirley Concolino
Sent: Monday, March 05, 2012 2:44 PM
To: Dawn Bullwinkel
Subject: FW: ESC Policy Paper
Attachments: STOPThinkReconsider revised.doc

fyi

From: Sandy Sheedy
Sent: Monday, March 05, 2012 2:42 PM
To: Howard Chan; Jim Rinehart; Eileen Teichert; Matthew Ruyak; Max Fernandez; John Dangberg; John F. Shirey; Shirley Concolino
Subject: ESC Policy Paper

Over the last few weeks, several columns and opinion pieces have appeared in the Sacramento Bee that touch upon studies by economists on professional sports franchise, stadiums, and arenas.

Since this is not the kind of information that has been provided to us, I asked my staff to take a look at these studies. They came up with the attached policy paper.

I hope you will find this information helpful.

Councilmember Sandy Sheedy
Sacramento City Council, District 2
New City Hall, 915 I Street, Fifth Floor
Sacramento, CA 95814
Phone: (916) 808-7002
Fax: (916) 264-7680
www.cityofsacramento.org/council

STOP!

THINK...

RECONSIDER?

“Few fields of empirical economic research offer virtual unanimity of findings. Yet, independent work on the economic impact of stadiums and arenas has uniformly found that there is no significantly positive correlation between sports facility construction and economic development.” (1)

This is the judgment of professional economists (2) who have conducted repeated studies of the economic impacts upon cities and regions that have built stadiums and arenas in order to lure new professional sports franchises or to retain existing ones.(3) Of course, there is another school of thought on this topic, accompanied by a different body of literature. This is the body of work assembled by the consultants hired by arena supporters and proponents to make the case that a stadium or arena is a wise and beneficial use of public funds. Think Big Sacramento’s “Economic Engine Report” is a prime example of this type of study.

ECONOMISTS VS. CONSULTANTS

Why the chasm between the academic studies and the consultant studies? An array of reasons exists, but two explanations deserve close consideration: bias and method. Consultants are hired by the proponents and promoters of arenas to make the case that spending public funds on such facilities is a wise and beneficial choice. (4) Their work is almost always

underwritten by local special interests with a real or imagined stake in the proposed arena (5). It may well be that economists have biases as well, but it is highly unlikely that they would all be biased in the same direction, and their salaries, promotions, tenure, and the like are not dependent upon the largesse of promoters or any other parties of interest. (6).

The second explanation lies in the different methods the two groups employ. Consultant studies are prospective; that is, they predict, project, and estimate the economic impacts of a stadium or arena on a given city, county, and region. Economists, on the other hand, engage in retrospective studies. They examine the measurable economic impacts of stadiums and arenas over time. A seminal study of this type was undertaken by Robert A. Baade of Holy Cross College. The study tracked 48 cities over a period of 30 years (7). The study found no evidence of economic development or growth from stadium construction, and in a few cases, they found negative economic impacts (8).

Think Big Sacramento's "Economic Engine Report" projects enormous economic benefits from the construction of an Entertainment and Sports Complex at the downtown railyards. The report offers five "key findings":

1. The Entertainment and Sports Complex will generate just over \$157 million in revenue for the entire region on an annual basis, including \$100 million in downtown revenue, \$116 million in the City of Sacramento, \$131 million in the County of Sacramento and...\$157 million in the greater Sacramento region. [Translation: Downtown Sacramento will get \$100 million; the rest of the City of Sacramento will reap \$16 million in revenue; the County of Sacramento will rake in \$15 million, and the rest of the region will get \$26 million].

2. Given that the facility's operating costs will be covered by the direct revenue generated within the arena, over a thirty year period the Sacramento region will receive over \$7 billion in economic activity.
3. An Entertainment and Sports Complex will attract 3.1 million new visitors to Downtown Sacramento on an annual basis.
4. Hotels located within walking distance of the facility in Downtown Sacramento will see an increase of over 300,000 guests who choose to spend at least one night in a downtown hotel.
5. Fiscal benefits for government agencies created by 3.1 million new visitors will include approximately \$6.7 million annually generated by \$5.8 million in sales taxes and over \$900,000 in transient occupancy taxes. Additional revenue would be expected to be generated by increases in other sources of government revenue such as property taxes. (9)

An earlier Think Big publication – “The Threshold Report” – projects the creation of 3,700 construction jobs and 375 permanent jobs. (10).

These are precisely the kinds of projections that economists find do not hold up over time, because of serious flaws in the methodology of such studies.

In a 2008 report, University of Utah economist Sarah Wilhelm includes a list of such flaws:

- Ignoring the substitution effect. Stadium consultants often predict spending around a new arena without taking into account spending that may be reduced in other areas. The substitution effect is based upon the premise that the entertainment budget of individuals and families is usually fixed (this is especially the case in times of recession). Money spent at a downtown arena is money that will be lost to other venues, including restaurants, movie theaters, museums, etc. In other words, if a Roseville family of four spends a portion of its entertainment budget at a railyards arena, that is money that will not be spent in Roseville, in Sacramento County, or in the City of Sacramento outside the area where an arena will have its presumed greatest impact.

- Ignoring visit motivation. Consultants tend to attribute every dollar spent by out-of-towners to the stadium or arena. They often fail to take into account that on game days, some visitors will stay away and some would have come anyway in order to visit family, attend a convention, a wedding or an art exhibit. If the motive for their trip to Sacramento was not attendance at an arena event, then those dollars should not be included in arena benefits.
- Overstating the Multiplier. Consultants use multipliers as high as 2.5 to estimate benefits such as job creation. In the case of jobs, that means that for every job created directly by an arena, two and one half jobs will be created indirectly. Academic studies contend the multiplier should be 1.25, because a substantial portion of spending is used to purchase goods produced outside the metro area and because the salaries of players and profits for owners tend to get spent elsewhere, particularly during the off-season.
- Overstating the importance of the stadium/arena in the local economy. The actual impacts of an arena are often small relative to the economy of a metro area – or in this case, the economy of the Sacramento region. To put this problem into perspective, one economist has concluded that a sports franchise has about the same scale of economic effect as a large grocery store. (11)

The methodology used in “The Economic Engine Report” contains most of these flaws. The \$7 billion in spending predicted over 30 years includes spending that will take place even if an arena is not constructed. The 3.1 million projected new visitors to downtown is typical in consultant literature, but the numbers never seem to pan out in the real world. The multiplier used appears to be in excess of 2%. The projections for benefits in the City at large, Sacramento County, and the Sacramento region tend to ignore a simple reality – the further away from an arena, the fewer the benefits and the greater the losses due to the substitution effect.

THE “DOWNTOWN” MODEL

The consulting firm that produced “The Economic Engine Report” attempts to address these criticisms with the following observation:

“Many studies have been conducted related to the economic viability of sports facilities to trigger further economic benefits to a region. Some economists argue that such facilities only redirect spending from one

activity to another [i.e., the substitution effect], thereby producing little economic benefit. However, those studies do not address a key purpose for building such facilities. The main rationale for developing these facilities is to re-invigorate and revitalize specific neighborhoods, specifically downtowns, as such a facility in conjunction with other venues acts as a catalyst for redevelopment of a city's downtown core." (12)

There are a number of problems with this statement. First, it is not "some" economists who find little to no economic benefit to stadiums and arenas, but the vast majority of economists. Second, acknowledging the substitution effect and then ignoring it in the report's projections hardly removes that flaw from the study. Finally, the revitalization of downtowns is a relatively new rationale for constructing stadiums and arenas with public funds. Moreover, it is a rationale advanced not by economists but by urban planners (13). Economists take a different view. Zimbalist, for example, concedes only that sports facilities "may" spur redevelopment in central business districts that need redevelopment. (14) Others, including Dennis Coates, are far more critical,

"[Urban planners]...suggest that the real question should be: Does a stadium help the redevelopment of an area that actually needs redevelopment? To them, a downtown area is deserving of help even if that help comes at the expense of the rest of the area. From this perspective, the studies that find little economic growth flowing from stadiums and sports franchises are not relevant. Instead, the mere *possibility* that a new stadium will aid urban redevelopment in a central city or downtown areas is a sufficient rationale for the subsidies." (15) [emphasis in original].

Sacramento and other cities contemplating the construction of new stadiums and arenas are being asked to wager a great deal on this "possibility." What does the recent history of downtown stadiums and arenas show?

SUCCESSSES AND FAILURES

The stadium most often cited for its extraordinary impact on redevelopment in the urban core is Orioles Stadium at Camden Yards in Baltimore.

“The accepted wisdom is that municipal professional sports stadiums are a bad economic deal for cities, except for Oriole Park at Camden Yards...There is also a widely held perception that the Baltimore experience breaks the mold, and that holds out the possibility that if only other cities can replicate Camden Yards magic, they too can get rich from professional sports.” (16)

But the evidence at Camden Yards is mixed at best. The stadium greatly increased attendance at baseball games, primarily because of access (the previous stadium had no expressway access at all). However, most of the money derived from that increased attendance went to team owners and players. The redevelopment impact of Camden Yards has in all likelihood been overstated, since Camden Yards and a football stadium constructed a little later are located in a part of the urban core where redevelopment was already well underway. In addition, the City of Baltimore pays \$2 million per year toward the cost of the baseball stadium alone, and earns only \$3 million a year net, in new jobs and extra tax revenues, from its \$200 million Camden Yards baseball stadium.

Finally, the Baltimore experience demonstrates rather conclusively that redevelopment spurred by publicly financed stadiums is a very, very expensive way to create jobs. The jobs created by the Camden Yards baseball stadium cost about \$125,000 apiece, while non-stadium related jobs resulting from

redevelopment were created at a cost of about \$6,000. Compare that to what's being proposed in Sacramento. The Entertainment and Sports Complex will create about 4,000 jobs at a cost of \$406 million – over \$100,000 per job. (Moreover, the 375 permanent jobs that will be created in downtown Sacramento, if they are anything like the jobs created by other arenas, will be seasonal, part time, low wage jobs, probably without benefits). (17) The problem with the stadium as a catalyst for redevelopment of central business districts is this: the preponderance of the evidence strongly suggests that stadiums and arenas don't cause economic development; they follow it. (18)

Closer at hand, there is the notion that AT&T Park in San Francisco has been a boon to redevelopment in that City's urban core. As in so many cases, San Francisco is probably the exception that proves the rule. The City of San Francisco is a very small place; it covers fewer than 50 square miles. Land is at a premium, and any new land opened for development by public expenditures on infrastructure (which is all the City contributed to this ballpark), will quickly be built upon, whether there is a stadium in the mix or not.

It is also important to remember the disastrous experiences of some cities who sought economic development through public subsidization of sports – something that is simply never mentioned in the consultant literature. Consider, for example, Houston and Harris County, Texas. More than a decade after its professional sports teams moved out, the Astrodome (once touted as the "Eighth Wonder of the World") still carries \$32 million in debt. That's nearly as much as the original cost of construction. Harris County, which owns the stadium,

estimates it will take another 22 years (roughly, a generation) to complete the \$48 million in debt and interest payments to get this “asset” off the books. Three Rivers Stadium in Pittsburgh was still carrying \$45 million in debt at the time of its demolition in 2001. Seattle’s Kingdome was razed in 2000, and King County won’t have the remaining debt paid off for several more years. (19) All of these facilities were built on promises of an economic windfall that never materialized. Then, of course, there is Stockton, whose leaders bet on the redevelopment prospects of a baseball stadium and a hockey arena. Redevelopment never happened, and for this and other reasons, Stockton is facing bankruptcy. Where is the evidence that Sacramento will end up a winner in the stadium game, especially since tax increment funding has vanished along with Redevelopment agencies?

QUALITY OF LIFE BENEFITS

Revitalizing the downtown core is not the only new rationale for stadium construction that seeks to marginalize the daunting conclusions of the economic studies. Stadium proponents today rely heavily upon what are called “Quality of Life Benefits.” From the perspective of stadium promoters, these benefits ward off hard economic evidence, primarily because they are so difficult to measure and quantify. Typical quality of life benefits include such things as

1. **Consumer Surplus.** This is a fairly complicated concept that rests primarily upon the difference between what a consumer is willing to pay for an item and the actual price of an item. To use an example from Wilhelm, suppose a fan is willing to pay \$800 to attend a playoff game, but the actual price of the ticket is \$50. That fan is said to have a consumer surplus of \$750. Unfortunately, measuring the surplus is

very, very difficult, although some economists have attempted to do so through mathematically sophisticated regression analyses.

2. Fan Happiness. Having a professional sports team can create benefits not just for those who attend games, but those who watch the games on television, follow the team's progress in the newspapers, and converse with family, friends, and co-workers about the team's fortunes. Again, this is a benefit that is very difficult to measure in standard economic terms.
3. Civic Pride. A professional sports franchise creates civic pride by conferring upon a city or region "major league," "big league," or "world class" status. Losing a franchise, on the other hand, can result in the loss of such status. (20)

Because these benefits are intangible and difficult to measure, it is also difficult to answer the basic question that preoccupies economists: are these benefits equal to or greater than the cost of the government subsidy necessary to construct a stadium or arena? For some, the answer is a resounding YES! An extreme example of such sentiment is recounted in an early work on sports economics, which cites a Sacramento civic leader who, upon learning that an NFL team might relocate to Sacramento exclaimed, "The Raiders coming to Sacramento would be an event the magnitude of the Gold Rush." (21) (In the six years following the discovery of gold at Sutter's Mill, 300,000 people moved to northern California. The Raiders would have played eight home games here.) These sentiments are alive and well in the discussion about the proposed Entertainment and Sports Complex. It is heard loud and clear from those who truly seem to believe that, if we lose the Kings, Sacramento will be nothing.

These are difficult waters for public officials to navigate, particularly in a city in dire fiscal straits. The advice of economists is pretty clear,

“Improving citizens’ quality of life is clearly an important goal for public policy makers, and there is evidence that sports are a valued amenity for local communities. Evidence of significant direct economic benefits from sporting events, franchises, and stadiums is lacking, however. While public-private partnerships can be justified on quality of life grounds, voters and public officials should not be deluded by over-optimistic predictions of a financial windfall. Sports may make a city happy, but they are unlikely to make a city rich.” (22)

LOST OPPORTUNITIES?

In fact, sports may actually make a city or region poorer. In part, this is because of what economists call “opportunity costs.” Simply put, dollars expended on an arena or stadium are dollars that are unavailable for other uses. For example, while the proposed lease of the City’s parking resources to the private sector would generate dollars not available for other uses, the same is not true with regard to the sale of City-owned land. Proceeds from land sales could easily be used to cover at least some of the costs associated with updating of Sacramento’s water and sewer infrastructure, which, in turn could help mitigate the huge increases in utility rates that are now being contemplated.

Professional sports leagues operate as cartels. They control the number of teams in order to keep demand high. (23) The teams in turn demand new stadiums and arenas to come to a city and new stadiums and arenas to stay where they are. They need the new arenas, with their luxury boxes, advertising

opportunities, and concessions to make up for money they have lost through player free agency and the various forms of revenue sharing that the leagues have imposed. Teams are businesses, and their only serious concern is profit. They demand a form of what can only be described as corporate welfare, and they get it, because public officials are more afraid of losing a sports team than of putting municipal services at risk. (24) As Sacramento's policy makers consider subsidizing an Entertainment and Sports Complex, they need to keep themselves fully aware not only of the benefits that might result, but also of the very real pitfalls that could just as easily lie ahead.

NOTES

1. Siegfried, J. and A. Zimbalist, "The Economics of Sports Facilities and Their Communities," *Journal of Economic Perspectives*: Vo. 14, No.3 (Summer 2000) p.102. A more recent study reached a similar conclusion, "There now exists almost twenty years of research on the economic impact of professional sports franchises and facilities on the local economy. The results in this literature are strikingly consistent. No matter what cities or geographical areas are examined, no matter what estimators are used, no matter what model specifications are used, and no matter what variables are used, articles published in peer reviewed economics journals contain almost no evidence that professional sports franchises and facilities have a measurable impact on the economy." Coates, D. and B. Humphreys, "Do Economists Reach a Conclusion on Subsidies for Sports Franchises, Stadiums, and Mega-Events?" Working Paper Series: Paper No. 08-18 (2008). International Association of Sports Economists.
2. An economist within the context of these studies is someone who holds a Ph.D. in economics, works or has worked in college and/or university economics departments, or publishes predominantly in economics journals. See Coates, D. and B. Humphreys, "Do Economist Reach a Conclusion on Subsidies for Sports Franchises, Stadiums, and Mega-Events," p. 11-12.
3. A landmark early work in this field is *Sports, Jobs, and Taxes: The Economic Impact of Sports Teams and Stadiums*. R. Noll and A Zimbalist, Eds. (1997) Brookings Institution Press: Washington, D.C. For more current studies, see the Reference List that follows these notes.
4. Crompton, J.L., "Economic Impact Analysis of Sports Facilities and Events: Eleven Sources of Misapplication." *Journal of Sports Management*, Vol. 9, No. 1 (1995), p. 14-35; Wilhelm, S. "Public Funding of Sports Stadiums." Policy Brief, Center for Public Policy and Administration (2008) University of Utah, Salt Lake City. p.6; and Baade, R. and V. Matheson, "Financing Professional Sports Facilities." Paper No. 11-02 (2011) Department of Economics Faculty Research Series, College of the Holy Cross.
5. The nature of these interests is catalogued throughout the academic literature and includes chambers of commerce, other business organizations or entities, individual businesses that see the possibility of increased profits, and local media outlets that covet the advertising revenue sports franchises bring.
6. Wilhelm, S., p.8.

7. Baade, R. "Stadiums, Professional Sports, and Economic Development: Assessing the Reality." Heartland Policy Study, No. 62. (1994). The Heartland Institute.
8. *ibid*, p.20. These negative impacts are further explored in Coates, D and B. Humphreys, "Professional Sports Facilities, Franchises and Urban Economic Development," Economics Department Working Paper, 03-103 (2003). University of Maryland, Baltimore County.
9. "The Economic Engine Report: An Economic Analysis on the Regional Impact of an Entertainment and Sports Complex." prepared for Think Big Sacramento by Capital Public Finance Group, LLC (2011) Sacramento, p.3
10. "The Threshold Report: An Initial Economic Analysis of a New Entertainment and Sports Complex." prepared for Think Big Sacramento by Capital Public Finance Group, LLC (2010) Sacramento, p.2
11. Wilhelm, S. p.8-9. As more than one study has pointed out, professional sports teams are small businesses. They employ few people, and most of the money they take in goes to owner profits and player salaries. The lion's share of that money does not stay in the local area, particularly during the off-season. See Siegfried and Zimbalist, p.109 and Euchner, C., *Playing the Field: Why Sports Teams Move and Cities Fight to Keep Them*. (1993). Johns Hopkins University Press, Baltimore.
12. "The Economic Engine Report," p.21
13. See, for example, C. Santo, "The Economic Impact of Sports Stadiums: Recasting the Analysis in Context." *Journal of Urban Affairs*, Vol.27, No.2, (2005), pages 177-191
14. Siegfried and Zimbalist, p. 109.
15. Coates, D., "A Closer Look at Stadium Subsidies," *The American: The Journal of the American Enterprise Institute*. April 29, 2008.
16. Hamilton, B. and P. Kahn, "Baltimore's Camden Yard Ballparks,": in *Sports, Jobs, and Taxes*, p. 245-281; Coates, D. and B. Humphreys, "Professional Sports Facilities, Franchises and Urban Economic Development," and "Are Stadiums Good for You?" *The Economist*. March 11, 1999.
17. City staff has recalculated the jobs that the Entertainment and Sports Complex will produce and raised the total number to 5,000. The cost per job created given this new number will be slightly over \$78,000. There has been no explanation given as to why, using the same IMPLAN [Impact Analysis for PLANing] model as the authors of "The Economic Engine

- Report" (see page 24), the number of jobs has risen. It may be because the multiplier is larger or because of the shortcomings of IMPLAN, which is the kind of input-output model that economists frequently fault for the overly optimistic job creation numbers in consultant studies. See, for example, Coates, D. and B. Humphreys, "The Stadium Gambit and Local Economic Development," *Regulation Magazine*, Vol. 23, no.2 (2000) p.15-20. See also Rappaport, J. and C. Wilkerson, "What are the Benefits of Hosting a Major League Sports Franchise?" *Economic Review*. 2001, Federal Reserve Bank of Kansas City.
18. Baade, R. and V. Matheson, "Financing Professional Sports Facilities."
 19. Moran, C. "A Costly Wonder: Astrodome Debt Likely to Haunt Harris County," *Houston Chronicle*, April, 2010. See also "Stadium Debt," *The Sports Economist*, April 13, 2010.
 20. Wilhelm, S., p.5. See also Rappaport, J. and C. Wilkerson, p. 70-77.
 21. Wilhelm, S. p.9 and Euchner, C, *Playing the Field*.
 22. Baade, R. and V. Matheson, "Financing Professional Sports Facilities," p. 18.
 23. For a discussion of how sports cartels work, see Bernstein, M. "Sports Stadium Boondoggle," *The Public Interest*, Summer 1998.
 24. *ibid*. Neil DeMause offers another interesting fact: "It's also worth noting that even in those few cities where teams have moved, no local official has yet been voted out of office as a result. A Wisconsin state senator who cast the deciding vote for a new Brewers stadium in 1995 did, however, become his state's first legislator to be recalled by voters." DeMause, N., "Why Do Mayors Love Sports Stadiums?" *The Nation*, July 27, 2011.

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