2021

Dropping the Ball: A Political and Economic Analysis of Public Subsidization for Stadium Construction Projects

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Dropping the Ball: A Political and Economic Analysis of Public Subsidization for Stadium Construction Projects

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For
Senior Thesis
Spring 2021
May 3, 2021

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Introduction

Professional sports are a critical and universally loved part of America's ethos. Millions of fans from across the country flock every year to sports stadiums, hoping to see their favorite player in action or just to enjoy the ambiance of the ballgame. Every Sunday during fall and winter, 60,000 fans attend prodigious NFL complexes, whereas 20,000 or so fans frequent an MLB stadium for 162-game schedule. When fans visit these stadiums, they often will pay for a soda, a hot dog and maybe even a jersey. But there is another, more surreptitious payment they make, unbeknownst to almost everyone who attends: the actual stadium itself. Once an entirely private undertaking, public funding for stadiums has increased substantially since the 1950's. In recent years, public subsidization has grown so much that taxpayers have contributed nearly $1 billion to several stadiums (Farren & Philpot, 2019; Bagli, 2018).

Public funding for sports stadiums has correlated with the increase of sports teams' valuations, granting team owners significant negotiation leverage with politicians. Many owners express their need for a new stadium using public dollars, citing their outdated facility, a poor location or to catalyze economic development for their host city. If cities refuse to shell over taxpayer dollars, teams have threatened to leave their home and relocate to an area which would be willing to accommodate them financially. Some teams, such as the Oakland Raiders, have left a fanbase of passionate fans behind in order to obtain a new stadium. When teams were worth only a few million dollars 50 years ago, governments had little incentive to ensure the team remained in their jurisdiction; however, now that these assets are worth billions of dollars, politicians either feel pressure or sense opportunity to maintain or lure a team to their city. Losing a sports team is certainly a huge blow to cities and fans alike, but a large amount of economic literature suggests that building a new stadium for the sake of recruiting a team is a

poor economic investment. This literature has existed for decades, and yet politicians continue to allocate public funding for stadiums, either to entice teams to relocate or to prevent their team from leaving.

This thesis analyzes the economic and political implications of stadium construction, and the many moving parts of the problem. The thesis dives deep into two case studies of recent stadium constructions in Las Vegas and New York, looking at the considerations of each stadium and how decision makers were able to build these stadiums. From overreported economic benefits to neighborhood revitalization, the promises made by stadium proponents simply never live up to the lofty expectations set. In the thesis, I explain how these processes continually play out, embarking on an extensive literature review of the many contributory aspects of stadium construction. I then explain the theoretical framework of the issue, using economic analyses such as the contingent valuation method (CVM) and the political theory of authors like James Q. Wilson to uncover the issue. There are various political and economic concepts that make up the dynamics of stadium construction, so this section also creates a baseline as I transition into two case studies.

The Yankees and Raiders case studies serve to take this theoretical discussion and manifest it in a practical way, explaining how these processes play out. I choose the Yankees and Raiders cases studies for two reasons. The first is that both are relatively new projects that have limited analyses, so these case studies help update the current literature of stadium construction. The second is that these case studies, while two of the most expensive in history, are quite representative of general themes in this literature. The Raiders case study lays out the general processes of stadium construction, serving as a template for the ensuing Yankees case study. The Yankees case study also discusses general themes but delves deeper into how politicians

negotiate with owners to achieve mutually beneficial outcomes. My analyses help to uncover the political and economic processes that take place in the Yankees and Raiders studies, and to take these analyses to uncover the larger picture of stadium construction. After, I delve into a discussion, which summarizes the commonalities of stadium construction domestically and internationally and extends the discussion to other areas of interest.

Public funding for stadium construction is a widely researched topic, but this thesis serves to branch out from existing literature by integrating a political science perspective to a problem typically defined as economic. Team owners may be outspoken about their new stadiums or fans may learn about the plans on Twitter, but political maneuverings are a seldom discussed aspect of the equation. It is difficult to rationalize why politicians would continue to fund stadiums when many are aware that doing so directly harms their constituents, but my thesis illustrates that there are clear reasons why politicians do so. Looking at this problem from a strictly economic lens cannot fully explain the issue, as publicly funded stadium construction continues despite overwhelming evidence of the economic detriments. At the core of this issue is a complex political calculus, with politicians, interest groups and owners all working together to create a brand-new stadium. And while these parties collaborate to construct the stadium, one key group is left out of the considerations: the taxpayer.

Literature Review

This chapter examines three distinct strands of the vast literature review on stadium construction. The first section includes a general overview of the processes and costs stadium construction itself. The second section covers the tangible benefits promised by stadium proponents, and how these promises often do not come to fruition. The third section discusses the intangible benefits of stadium construction and examines the extent to which these benefits justify the large public subsidies allocated to sports teams.

Part 1: General Overview of Stadium Construction:

Public funding for stadiums is an issue of public policy interest. Professional sports leagues are private enterprises that answer to small groups of affluent owners. Teams yield sizeable monopoly power over their home cities, permitting them to extract millions of taxpayer dollars in local subsidies through tax-exempt municipal bonds (Drukker et al., 2020). Despite substantial evidence to the contrary, subsidy proponents continue to claim that professional sports increase local income, wages, employment, and tax revenues (Rosentraub, 2014). Major sports leagues are highly profitable – the average National Basketball Association (NBA) team has an average valuation of $2.12 billion and the average Major League Baseball (MLB) franchise is worth $1.85 billion – but most of the profit is not reinvested in local economies or communities. In fact, local and state politicians often raise taxes to lure or maintain teams in their district, as constituents are often not aware of the lack of economic benefits and have taken little action on the issue (Delaney & Eckstein, 2003).

As the four major sports leagues in the United States – the NBA, NHL, MLB and NFL – are all structurally monopolistic, team owners gain leverage over city and state governments (Safir, 1997). Sports leagues have roughly 30 teams, with expansion strictly limited so teams do

not compete over media markets. The fixed supply of sports teams – cities can only gain a team if another were to lose one – creates a dynamic in which owners have significant leeway to relocate if they receive a tempting offer (Safir, 1997). Baseball operates under an exemption to the Sherman Act and maintains geographic stability by requiring unanimous approval of team owners before a team can move; however, the other leagues have full jurisdiction on where they would like to house their franchise (Keating, 1997). The perpetual threat of relocation often forces city and local governments to overpay to keep their team, with funding coming from the taxpayer rather than the team itself (Humphreys, 2018).

The leverage gained by sports owners due to excess demand for sports teams allows opportunities for owners to extract revenues. Not all sports franchises take advantage of taxpayer funding; for example, the Charlotte Panthers and San Francisco Giants have built new stadiums with modest public costs of site acquisition and infrastructural investments (Zimbalist & Noll, 1997). Some stadiums, such as the new $5 billion SoFi Stadium for the Los Angeles Rams and Chargers, was entirely privately funded by ownership and a $200 million G4 loan from the NFL (Fenno & Farmer, 2020). But in most cases, local and state governments have paid over $100 million in stadium subsidies, and in some cases have funded the entire expenditure. (Edelman, 2009). If a host city refuses to build its team a new stadium, the team's owners can make a credible threat to move cities, depriving the non-subsidizing city any access to premier, professional baseball (Quirk & Fort, 2000). Expanding into new markets would have allowed existing MLB owners to accrue lucrative franchise fees from new ownership groups and revenue sharing models, but not expanding actually proved to be more profitable (Josza & Guthrie, 1999). Non-expansion of sports leagues allows owners to maintain a position of power, as they consistently resort to relocation plans unless their host city funds their expenses.

Through various loopholes and clever tax maneuvers by local governments, taxpayers heavily contribute to funding new sports stadiums. Public subsidies amounted to $177 million per facility while more than $6 billion in public funds were spent on stadium and arena construction in the 1990's (Long, 2005; Rappaport & Wilkerson, 2001). Despite a few exceptions, stadiums were entirely privately financed until the early 1950's. In 1951, MLB Commissioner Ford Frick announced that cities must subsidize construction of new stadiums, as teams were struggling to cover the costs of stadium construction while accruing a profit (Fort, 2011). Milwaukee County Stadium was the first public-funded stadium built to attract another franchise, as Milwaukee representatives believed that investing in a new facility would both lure a professional team and bring economic development. When the Boston Braves moved to Milwaukee, policymakers realized that building a new facility could attract sports teams, opening the floodgates for cities to use public funding as a means to improve their proposal (Alakshendra, 2016).

After the Milwaukee precedent in the 1950s, owners convinced municipalities to provide public financing, arguing that a brand-new stadium would introduce economic prosperity into the region. To build Raymond James Stadium, the home of the Tampa Bay Buccaneers and a stadium paid for entirely by taxpayers, Hillsborough County imposed a half-cent sales tax (Corder, 1998). Governor Pawlenty of Minnesota refused to increase gas taxes to fund state infrastructure but raised the sales tax to fund the new Minnesota Twins stadium. Other well-known stadiums that were entirely funded by taxpayer money include: The FedEx Forum, Time Warner Cable Arena and the Ford Center (Komisarchik & Fenn, 2016).

Owners may have needed public subsidization to keep their teams afloat in 1950, but the rapidly increasing valuation of sports teams shows that is not the case anymore. The Cowboys

were bought for $8.8 million in 1973 and are now worth $5.7 billion (Gough, 2020). Adjusted for inflation, that figure is 18 times greater than the original investment. Affluent owners and sports teams understand that they do not need public funding anymore, yet they benefit from the monopolistic structure in place to extract huge amounts regardless.

The search for a new stadium has also been intensified by new technology and its huge potential for profit. Multipurpose, ordinary stadiums that were common in the early 20th century gave way to elaborate, single-sport facilities (Zimbalist & Noll, 1997). These new stadiums feature numerous new revenue-generating opportunities, including elaborate concessions, catering, advertising, and even restaurants and bars that have full views of the field itself (Hartell, 1998). The most lucrative inventions, however, are luxury boxes. Al Davis, the former owner of the Oakland Raiders, moved stadiums entirely because the Los Angeles Memorial Coliseum refused to construct more luxury boxes. For football games, luxury box tickets can be worth $15,000-25,000 per game, creating huge margin for owners (Kane, 2012). Additionally, a new facility adds millions of dollars annually to a team's revenues for a few years after the stadium opens, as well as removing the variability in team revenues associated with a dilapidated stadium (Rascher et al, 2012). Teams try to reduce uncertainty as much as possible, since a team's actual performance varies from year to year. A new stadium introduces a layer of stability for owners – increased ticket prices and features such as luxury boxes are steady streams of revenue – so regardless of how well the team is playing, owners are reassured that they will still profit.

A common vehicle for the financing of major league stadiums is the private use of tax-exempt bonds, as these bonds expedite the construction process and are cheaper for owners (Goodman, 2002). Team owners want to finance the tax-exempt bonds that the city and state

would guarantee because the costs of construction are lower with reduced interest rates on these bonds. In the last three decades, tax-exempt bonds have raised $17 billion to facilitate construction of stadiums across the nation. According to a 2012 study, tax exemption alone on municipal bonds issued for sports infrastructure cost $146 million a year and taxpayers' subsidy to bond holders would be about $4 billion at the maturity of all the bonds issued since 1986 (Kuriloff & Preston, 2012). Today, the proportion of public funding to build professional sports stadiums is greater than private contribution (Alakshendra, 2016).

Large local subsidies often receive the bulk of media attention, yet almost no attention is paid to federal subsidies implicit in every tax-exempt municipal bond dedicated to stadiums. Lost tax revenue from tax-exempt bonds is not part of the computation of federal spending and, therefore, is not included in the federal budget (Drukker et al., 2020). This arrangement reduces the transparency of the federal allocation of resources to these projects. Since the federal government has limited control of the tax subsidy, the amount of the tax expenditure is not decided through the annual appropriations procedure (Drukker et al., 2020). In effect, stadium funding is a form of entitlement spending, whose amount is mostly specified by circumstances outside of the federal government's control (Congressional Budget Office, 2009). Additionally, because tax exemption lowers interest on debt and reduces the amount cities and teams must pay for stadiums, tax-exempt bonds are an inefficient form of subsidy (Zimbalist & Noll, 1997). The loss of federal tax revenue exceeds the reduction in the bond issuers' interest costs; stadiums such as the Meadowlands in New Jersey and the Superdome in New Orleans cause an annual federal tax loss surpassing $1 million (Zimbalist & Noll, 1997). Taxpayers from a small neighborhood in rural Illinois may be funding a stadium in Boston, despite the likelihood of them not stepping foot in the stadium or even being aware of its existence.

Congressional hearings have addressed this issue for decades, but the needle has not moved toward change. Hearings date back to the mid 1960s, in which the 88th Congress debated the construction of the District of Columbia Stadium and allegations of misconduct. Thirteen years later, the Senate considered the Stadium Financing and Franchise Relocation Act, in which members of Congress sounded off on the inequities of taxpayer subsidization of stadiums. Senator Arlen Specter labelled the practice "legalized extortion," and while many Senators and witnesses outlined the problems with stadium financing, the bill never made it to the House of Representatives.

The 2007 hearing titled "Professional Sports Stadiums: Do They Divert Public Funds From Critical Public Infrastructure?" addressed the troubling allocation of taxpayer funds. Representatives pointed out that the Minnesota Twins received public funding for their new stadium just a year before the I-35 West bridge collapsed, the Yankees built a new stadium worth over $1 billion despite 50 structural bridges in the city and several Cleveland teams received new stadiums while dangerous bridges remained operational. Members of Congress also pointed to the increasing value of sports franchises when they obtain a new stadium; the Detroit Lions and Tigers increased in value from $83 million to $290 million and $150 million to $839 million, respectively. President George W. Bush spent $600,000 to buy a small stake in the Texas Rangers, and after he and Rangers' co-owners persuaded voters to fund a new stadium, he sold his stake for a profit of $14.9 million.

While luxuries such as professional sports stadiums are subsidized, funding required for critical infrastructure needs are neglected and underfunded. Studies show that neglect, not age, is the root cause of most infrastructure failures in America. Deferring maintenance to spend in other areas is a handy expedient for public officials faced with problems in balancing their

budgets (Regan, 1988). Regan writes that politicians like to get credit for what they do, and the credit is more noteworthy when you can cut the ribbon at the opening of a new facility. Infrastructure improvements are essential for one's well-being, but constituents and the media are not interested in bridge maintenance (Grix et al, 2017).

Legislation aiming to curb excessive funding to stadiums has also made its way through Congress, but it has either missed the mark or made things worse. With the Tax Reform Act of 1986, Congress attempted to eliminate tax exemptions for bonds by removing them from the category of private activity bonds exempt from federal taxation (Drukker et al., 2020). Intended to limit the public financing of stadiums, the Act effectively placed responsibility on state and local governments to finance the bulk of the stadium if they wanted to receive a federal subsidy. Congress thought that provisions included to increase public funding of stadiums would anger constituents and reduce funding to these centers, but they erred (Kunst, 2017). The estimation was faulty due to the combination of professional sports leagues' monopoly power that maintains excess demand for franchises, as well as stadium proponents' use of pseudo-economic studies showing that stadiums pay for themselves (Zimmerman, 2007).

Part 2: Economic Literature on Tangible Benefits

In various studies spanning decades and covering different sports leagues, economic analysis yields the same result: sports teams and their stadiums do not stimulate the economy and can even have a net negative effect (Zimbalist & Noll, 2000, Safir, 1997). In theory, a stadium can spur economic growth if sports are a significant export industry, meaning it attracts non-residents to buy the local product. If sports teams result in the sale of certain rights to national firms, such as product licensing or broadcasting, stadiums would be profitable and benefit local

communities (Zimbalist & Noll, 2000). In reality, sports have very little effect on regional net exports, and rarely attracts tourists or new industries. Out of a detailed analysis of over twenty stadiums, Zimbalist & Noll concluded that professional sports have very little economic impact, with another study comparing the benefit to a mid-sized department store (Zimbalist & Noll, 2000; Wolla, 2017).

Studies designed to persuade cities and constituents to sponsor new stadiums grossly overestimate the revenue sports teams bring in and neglect the opportunity cost stadiums incur. Humphreys (2019) found that the concentration of economic activity in and around facilities on game day represents displacement of existing consumer spending. The money spent at games comes primarily from local residents and likely would have been spent elsewhere in the area absent a professional team. The majority of economic activity at stadiums takes place during a roughly three-hour period at select times of the year, whereas busy retail facilities or shopping malls are open for hours nearly every day. While the frenetic pace of a game and the sheer number of resources provided at a new stadium may trick consumers into thinking the stadium catalyzes economic progress, research demonstrates that consumers fail to understand their economic impact (Trumpbour, 2007). Across the major sports leagues, studies show that stadium proponents overstated economic benefits by 236%, primarily because the reduced spending on other activities that enables people to attend stadium events was not netted against stadium spending (Zimmerman, 1996).

On average, a stadium generates $145 million per year, but very little of the revenue goes back into the community (Vegesna, 2019). Zimmerman (1996) found that a new stadium had no discernable impact in 27 of 30 metropolitan areas and had a negative impact in the other three. Coates and Humphreys (2008) found no evidence that the opening of a new stadium in the NFL,

NBA, NHL or MLB was associated with any increase in local income per capita over the period 1969 to 1994. For instance, The Oakland Raiders (now the Las Vegas Raiders) and Golden State Warriors' value has skyrocketed fivefold in the last few decades, but Oakland's roads are rated towards the bottom of the country and the Oakland Unified School District cut 340 jobs during the 2019-2020 school year (Paulas, 2018). Subsidy proponents argue that teams' increased valuations and their subsequent economic effect will uplift communities; the above economic indicators show that both teams did not help Oakland. Not only did the teams not uplift the community, but they jetted to new locations in 2019 because of financial incentives. Yet, in March 2020, Oakland Athletics President Dave Kaval stated the need for a new stadium, citing significant economic benefits from their games and the increase of employment that would follow.

Increased employment from a new stadium is a common talking point of politicians and owners alike, but the cost to create stadium jobs are enormous compared with other industries. Maryland's $177 million investment to create Camden Yards Stadium – the home of the Baltimore Orioles – netted 1,394 jobs, for an average cost of $127,000 per job (Zimmerman, 1996). Other economic development programs in the state, such as the $32.5 million investment in the Sunny Day Fund, created 5,200 full-time jobs, for a total cost of $6,250 per job. Professional sports have a small positive effect on earning per employee in the amusement and recreation sector, but these gains are offset by decreases in earnings and employments in other sectors (Coates & Humphreys, 2003). Follow-up studies conducted by Jasina and Rotthoff (2008) have confirmed Coates and Humphreys' findings, adding further evidence that employment does not benefit from stadium construction.

Other cities convince constituents and local governments that the presence of a new stadium and the fans it attracts will spur ancillary development near the stadium, in turn creating benefits outside of the stadium itself. These strategies can be seen in practice in multiple occasions. Worried that losing their football team would hurt local economies, Indianapolis taxpayers directly subsidized a $20 million renovation in 1998, $12 million in 2003 and $7.2 million in 2006 (Trumpbour, 2006). As recently as March 2021, Augusta, Georgia project managers claimed they would generate more than $600 million in new spending and new sales tax dollars over the next 30 years (Augusta Chronicle, 2021). Promising $600 million may sound appealing, but deeper looks at estimations like this show that these numbers do not materialize. Overblown projections like this do not factor in opportunity costs taking away from other industries, double-count sales tax revenues and underestimate final costs of the stadium construction itself (deMause, 2021).

Some cities disregard economic rationale entirely when constructing a new stadium, instead arguing that a team is essential to being viewed as major market. In Cincinnati, the entire campaign to publicly finance two new stadiums was framed around the slogan “Keep Cincinnati a Major League City.” Growth coalition members eschewed the idea that new stadiums would provide economic revitalization for Cincinnati, but rather enhance the social status of a competing city in Ohio (Delaney & Eckstein, 2003). An astroturf organization named Citizens for a Major League Future relied on large corporations and a D.C. pollster to prey on Cincinnatians fears that without a sports team, the social status of city would sink lower across the nation (Fehrman, 2011). In Minneapolis, stadium proponents argued that a new baseball stadium was important because it would keep the city as one of the few with teams in the major four sports leagues, a measurement of a first-rate city (Trumpbour, 2006). Part 3 of the literature

review expands on the intangible benefits raised by the Cincinnati and Minnesota campaigns to determine if these benefits justify public subsidization.

Part 3: Economic Literature on Intangible Benefits

The previous section argued that the tangible benefits of stadium construction do not materialize, but a complete analysis must also account for the potential intangible public benefits. Job numbers and economic benefits are proven to be overstated, but if a new stadium leads to vast public benefits, perhaps taxpayer contributions are justified. This consideration leads to several questions that this section will cover in depth. The first question is how much the intangible benefits of a new stadium are worth to the average citizen. The second question is to take the valuation assigned to these teams and determine if the public benefits outweigh the taxpayer contributions.

Determining the value of the intangible benefits offered by sports stadiums is a complex enterprise, as there are many advantages to measure. Increased merchandise options, more attractive parking, better food quality or even an upgraded air conditioning system are all benefits of a new stadium. Additionally, sports are similar to a public good, in that sports are both non-rivalrous and non-excludable; all fans have the ability to watch a broadcast game, root for their team collectively and are not barred from viewing due to financial reasons. Sports is one of countless public good offerings available to citizens, with other examples ranging from streetlights and lighthouses to flood control systems. Deciphering how much these various goods are worth is difficult, considering citizens find different goods more or less useful and assigning tangible value to an intangible benefit is not a common practice. Most have a firm price they

would pay for a gallon of milk, but not for how much they would pay for their favorite sports team.

Regardless of the method used to determine the valuation of a sports team or a new stadium, fans do not value their team as much as they are paying in subsidies. It may seem difficult to draw conclusions about intangible data, but the variety of existing shadow pricing methods in the literature have all reached this same finding. The most popular valuation methods in sports construction literature are the contingent valuation method (CVM) and hedonic pricing, as each method breaks down a large-scale issue into smaller parts to obtain a more accurate valuation. These methods have been used for sports stadiums across the country and in slightly different manners, but each study has illustrated that the tangible and intangible benefits of sports stadiums are outweighed by the tangible and intangible costs.

CVM analysis of sports stadiums measures several facets of non-market goods to determine annual willingness to pay, including civic pride, estimations of the incremental values of public goods produced and even race relations. A 2001 study surveyed Pittsburgh residents to find a total discounted non-use value of the Pittsburgh Penguins NHL team to the host metropolitan statistical area of between $17.2 and $48.3 million (Johnson et al., 2001). This valuation is not net-zero, indicating that the public certainly values their team highly, but these figures are only a fraction of the total cost of the new $321 million arena the team eventually built in 2010. A CVM study conducted in Jacksonville a few years later measured to see if an NFL franchise elevated the city's civic status and in turn increased the valuation for its citizens. The authors found that the present value of public goods created by the Jaguars is $36.5 million or less, far below subsidies provided to attract the Jaguars (Johnson et al., 2005). Economists have conducted CVM analyses in other areas such as Baltimore and Kentucky to survey citizens'

willingness to pay for their own sports teams. In each of these studies, the aggregate valuation of each team was far less than the proposed stadium renovations in these areas. In other words, the annual willingness to pay for Jaguars fans or fans of other teams in Pittsburgh and Kentucky was far below the required number to justify the subsidy. Fans would have to assign a tremendous amount of value to this public good to warrant the high price tag of the stadiums.

Studies using hedonic pricing reinforce the findings established by CVM studies, in that the many contributory benefits of stadium construction are not worth the cost. By using regression analysis to isolate the value of an intangible cost or benefit, hedonic market analysis looks for the signal among the noise of stadium construction. For stadium construction, a useful measurement to determine if new stadiums are worth their price is to isolate home values in areas with old versus new stadiums. By using repeated observations of cities over time, economists deduced identification of the NFL effect on home prices through franchise expansion and movement. The authors found that rents are approximately 8 percent higher and wages are 4 percent lower in cities with franchises, though the latter of these two effects is not significant (Carlino & Coulson, 2004). A study conducted a year later reached a similar conclusion, in that housing prices near FedEx Stadium in Washington D.C. slightly increased housing values in the surrounding area (Tu, 2005). Seven years later, an additional study confirmed the preceding results, in that positive externalities from professional sports facilities may be capitalized into residential real estate prices (Feng & Humphreys, 2012). Even international studies have supported these findings, in that the increased home prices in Berlin are minimal in combatting the negative externalities of stadium construction in surrounding areas (Ahlfeldt & Maennig, 2008).

The effect of NFL franchises on home values is certainly not net-zero, so owning a home near these areas during stadium renovations can certainly benefit homeowners. But the key part of the equation is measuring the assigned value of a new stadium to the public subsidy that accompanies said stadium. If public subsidies only register in the $10-50 million range in exchange for a brand-new NFL stadium, this investment would benefit homeowners greatly as they would see their home prices increase for a relatively cheap cost. Yet, these subsidies have ranged near or over $1 billion, so an 8 percent increase in home values is not justification for this huge price tag. The *decrease* in wages from the Carlino & Coulson study is also an alarming statistic, as it indicates that homeowner benefits are offset by wage decreases in the area. These effects are not statistically significant so they cannot be discussed as in-depth as home price increases, but these findings are certainly worrying. The last consideration added by these studies is that while having a stadium in the same city may be a benefit, having a stadium *next door* has occasionally shown to be harmful. Noise, trash, congestion and construction are all "disamenities," in that these previously nonexistent negative externalities are created because of the new stadium.

CVM and hedonic market analysis are just two of the myriad ways at analyzing the cost-benefit analysis of stadium construction, and every method indicates that stadium construction is problematic. It must be stressed that stadium construction can lead to tangible benefits for many members of the population, such as a diehard fan. Yet, until the price tag for these projects is lowered to match the assigned willingness to pay or the average valuation of the team itself, stadium construction will continue to serve as a poor investment for American communities.

The next question to be answered in this equation is if the tangible and intangible benefits have been proven to fall beneath taxpayer contributions, why politicians continue to place

taxpayers on the hook. Having constituents pay for something that is not beneficial seems counterintuitive to promises made by politicians when running for office. As my theoretical framework explains, politicians actually have quite compelling reasons to fund these projects.

Theoretical Framework

CVM and hedonic pricing show that the average taxpayer always ends up with a poor deal, and yet new stadiums are being built at the quickest rate in recorded history. The literature on stadium construction's negative effects is available for any decision maker to observe, but these very decision makers are all too eager to build the newest stadium. Clearly, these decisions are not made to stimulate local economies, but rather to achieve some form of political gain. This section lays out the poltical concepts involved in stadium construction, showing that politicians have incentive to disregard the taxpayer and seek out these projects.

The study of stadium construction is a classic example of powerful interests exerting their power over less organized and influential groups. The concentrated gainer and diffuse loser political market comes under the heading of "client politics," which arises when an organized minority or interest group benefits at the expense of the public. Client politics are omnipresent in the world of governance. Tax policy is a hybrid of majoritarian and client politics; the majoritarian aspect is that the tax burden of Americans is kept relatively low compared to other countries and requires everyone to pay, whereas the many loopholes allowing powerful political leaders or interest groups to obtain special breaks in tax bills reflect client politics. For appropriations, pork projects taken up by various representatives and members of Congress are costly and only benefit a very limited number of constituents. Proposed projects such as the Gravina Island Bridge, colloquially referred to as the "Bridge to Nowhere," are reflections of client politics, in that a small number Alaskans pushed strongly for a $398 million project that would have very little use for anyone outside of their small jurisdiction. Client politics is apparent in regulatory policies, environmental policy and more. Any time an organized party has

incentive to exert their sphere of influence to achieve financial or political gain, client politics are surely present.

Considering that a small coterie of interests is essential to large-scale stadium construction projects, this phenomenon is similar to the concept of client politics. The classic analysis of client politics is the seminal work *The Politics of Regulation* by James Q. Wilson. In this book, Wilson and colleagues conduct reviews of nine regulatory agencies, with the concluding chapter summarizing his findings of how these agencies operate. Using Wilson's work as a foundation, I describe how client politics presents a useful framework for understanding the logic of stadium construction.

While subsidies can increase profits, subsidization encourages competition and new companies to form, in turn reducing the effect of the subsidy. Wilson describes that:

> All firms seek to maximize profits, and profits can be increased if competition is reduced, or government subsidies are obtained. Though firms will not refuse subsidies if they are offered, subsidies have the disadvantage of increasing profitability without necessarily restricting entry into the industry. The prospect of these benefits will encourage new companies to form, increase competition, and thus reduce each firms' share of subsidies (Wilson, 1982).

Wilson's analysis is not a departure of traditional economics, as cheaper cost of entry, in this case through subsidization, will incentivize firms to enter the market. What makes the NFL, MLB and other leagues so profitable is that they receive consistent subsidies, while also maintaining a monopolistic structure that avoids the downfalls of traditional subsidization. Barriers of entry into these leagues are firm, as each major American sports league has a cap of roughly 30-32 teams. Receiving a $750 million subsidy, as in the case of the Las Vegas Raiders, will not subsequently incentivize other parties to create a team and enter the market, because this possibility does not exist. Many major media markets yearn for sports teams, either for financial

reasons or to enhance the civic pride of the city, but these leagues understand that 30-32 teams is their optimal economic outcome. Wilson writes that "subsidies have the disadvantage of increasing profitability without necessarily restricting entry into the industry," but the inherent restrictions of these leagues allow huge amounts of profitability without any considerations for external competition. Sports teams extract as much as they can from local, state and federal sources, free from traditional worries that these funds will encourage entry.

The monopolistic structure of these leagues is inherently undemocratic, but many politicians allow the structure to continue due to potentially substantial advantages. Despite little financial incentive to pursue these projects, there is high incentivization for politicians to follow this path:

> But it is not necessary to suppose that firms provide cash payoffs to get their way. If they can influence – by propaganda or campaign contributions – the electoral prospects of politicians, then these politicians, once in office, can see to it that their bureaucratic subordinates, the regulatory officials, are selected and instructed so that they serve the interests of the regulated firms… the economic groups control a disproportionate share of political resources and that these resources can be used to control the behavior of administrative agencies.

Politicians carrying out policies that are not beneficial for their constituencies is a quintessential aspect of client politics. Political figures understand that the influence of these teams, especially in the perpetual threat of relocation, have substantial implications for their political prospects. Allowing a team to relocate may be a responsible decision for a local or state government, but unaware constituents would be angered that their city lost their team. To avoid these outcomes, affluent "firms," in this case sports teams with a limited number of employees but vast resources, receive huge benefits compared to the diffuse losses of thousands or millions of constituents. By sacrificing the very well-being of the constituents that they hope will reelect them in the next

term, politicians satisfy the regulated firms for their own political gain. These well-organized groups are agents for social change, so satisfying the requests of these agencies is a politically savvy decision. Satisfying a small, organized group may seem counterintuitive, as the vast majority of constituents do not stand to benefit and would realistically punish politicians for leaving them worse off. Yet, these individuals are too unorganized and the tax effects too small-scale or complex for many to understand, so politicians continue to satisfy the powerful "client," in this case the sports teams.

The behavior of politicians is a much easier proposition when the cost-benefit analysis of these decisions is apparent. In the same chapter, Wilson argues that:

> We want to understand these rewards in order to predict how [politicians] will behave as regulators. Moreover, the economic perspective is a powerful analytical tool; provided the facts are consistent with the model, it offers and elegant and parsimonious way of explaining a great deal of human behavior.

Ideally, politicians are elected to serve a group of constituents. Driven by reelection hopes or the search for power, many politicians do not abide by this ideal and are, in turn, self-interested or career oriented. Client politics is one of many instances of governmental action that benefits the few instead of the many; however, understanding the rewards of this system offers the "elegant and parsimonious way" of explaining the thought process of these individuals. Public funding for stadiums has proliferated exponentially since the 1950's, to the point where most projects are now publicly funded. Despite this trend harming taxpayers quite directly, there has seldom been public outcry over the issue. The social and political benefits of obtaining or maintaining a sports team far outweigh the negligible cost of public anger towards these projects, so there is little incentive for politicians to reject these deals. Recruiting a new team or building a spectacular, innovative new stadium can even be seen as an accomplishment only achieved by a responsible,

respectable politician. Stadium construction as a medium of client politics becomes much clearer when using Wilson's idea of reward as a predictor of human behavior. As long as stadium construction continues to yield rewards, politicians have little incentive to remedy their decisions. Only when the costs outweigh the reward, whether that be through public protests or poorer results in elections, will these actions begin to change.

Using Wilson's analysis of client politics and regulation sets a strong foundation for this argument, but not all of stadium construction adheres to traditional client politics. The most notable difference between the theory of client politics and the practice of stadium construction is secrecy. Normally, client politics is clandestine politics, as the concentrated gainers do not want many people to know of their actions and will seldom issue press releases bragging of their tax breaks. Stadium construction differs in that the process is open and available for anyone to observe, with the gainers counting on the naivete of the taxpayers. Taxpayers are aware of the project and think it will actually benefit them. Here the machinations of the concentrated interests are obscured not by secrecy but by *complexity*.

In *The Symbolic Uses of Politics*, by political scientist Murray Edelman, Edelman argues that naivete or political symbolism is used to placate citizens from the reality of a complex issue. In the book, Edelman lays out the philosophy of "symbolic politics," which argues that government regulation of business is a charade that soothes consumers by supplying them with a pleasant myth rather than tangible benefits:

> The systematic research in political science of the last several decades has repeatedly called attention to wide gulfs of knowledge between our solemnly taught, common sense assumptions of what political institutions do and what they actually do… many of the public programs universally taught and believed to benefit a mass public in fact benefit relatively small groups (Edelman, 1964).

Stadium construction is certainly an example of Edelman's theory, in that unaware citizens are often enthusiastic about the economic prospects of a new stadium due to exaggerated reports from their representatives. Rhetoric of job creation and economic revitalization are common explanations for new stadiums, but all this rhetoric accomplishes is to masquerade the true effects of the stadium itself. Citizen groups that see beyond the façade of stadium construction have been unsuccessful at convincing others that these benefits are not legitimate. Perhaps cognitive dissonance that one's sports team is inherently quite valuable convinces citizens that a new sports stadium is worth the price tag, or maybe the new infrastructure in the area convinces others that the stadium is more than just a location for a sports team. Regardless of the rationale, politicians capitalize on the ignorance of their constituents, using charged language and overblown economic benefits to achieve public acquiescence.

Client and symbolic politics help uncover why politicians, despite stated economic disadvantages, support the construction of new stadiums. Some politicians may be simply unaware of the problem and regret their support after the drawbacks come to fruition, but others are certainly well-aware of the harms and continue anyways to achieve political gain. In the next section, I present case studies of the Raiders and Yankees to further develop the idea of client and symbolic politics and how these theoretical concepts play out in practice. Both case studies not only branch out these ideas, but represent the themes, strategies and considerations that make up stadium construction as a whole.

Case Study #1: Leaving for Luxury - The Las Vegas Raiders

Founded in 1960, the Raiders have been one of the most well-known sports franchises in American sports, mainly due to the myriad of dedicated fans and a laundry list of Hall of Fame talents. After Minneapolis accepted an offer to join the established National Football League as an expansion team, regulations required the American Football League (AFL) to search for their expansion team to maintain an equal number of teams per league. Oakland was an unlikely location to inhabit a football franchise, considering the city had not asked for a team, no Oakland stadium was suitable for an NFL franchise and there was already a successful Bay Area franchise in the San Francisco 49ers (Dickey, 1991). Yet, when Los Angeles Chargers owner Barron Hilton threatened to forfeit his franchise unless another West Coast city were awarded the team, the league rewarded Oakland with a brand-new team. Several prominent businessmen from the area invested in the new team, working with contractors, real estate developers and local politicians to sustain the franchise. The Raiders played their first snap of football on September 11, 1960 at Kezar Stadium, a publicly owned and operated stadium in the heart of San Francisco. After hopping around several venues and consistently posting poor records, several leading partners threatened to relocate their team unless Oakland provided a new stadium (Dickey, 1991). The city of Oakland obliged, constructing the Oakland-Alameda County Coliseum, the home of the Raiders as recently as two years ago.

The Raiders' recent departure to Las Vegas in 2019 drew great fanfare, yet this was not the franchise's first exit. Prior to the 1980 season, Raiders owner Al Davis attempted to improve the Oakland Coliseum, aiming to install profitable luxury boxes. When Oakland declined to renovate, Davis signed a signed a Memorandum of Agreement to move the Raiders to Los Angeles. League owners met this decision with significant pushback; the move required three-

fourths approval but was defeated 22-0 with five owners abstaining. Unperturbed, Davis attempted to move the team anyway, but an injunction blocked his plans of relocation.

In response, the Raiders eventually filed an antitrust lawsuit against the NFL, and this case became a catalyst in allowing future teams to relocate. In *Los Angeles Memorial Coliseum Commission v. NFL* (1981), the Ninth Circuit court deliberated on the question of whether the NFL consists of separate entities rather than one single enterprise. The court concluded that the NFL's member teams are separate business entities, therefore denying the NFL's motion and permitting the Raiders to make singular decisions about their future home city (Nieto, 1981). In 1982, the Raiders packed their bags and moved to Los Angeles, filling the gaping hole that existed in the country's second-largest media market. When the Colts left Baltimore, owners of NFL teams voted to take no action, citing the multi-million-dollar verdict they suffered in trying to stop the Raiders' move (Doherty, 2007).

This decision may seem to punish the conglomerate of the NFL from restricting movement, but empirical evidence shows the biggest loser was the taxpayer. NFL team owners had struck a blow against the NFL's leverage to stop relocation, as these threats had legal backing; local governments could no longer rely on the NFL to lend them support in preventing relocation. Between 2005 and 2020, legislated stadium subsidies, or public appropriations awarded to stadium proposals without direct approval of citizens, were applied in more than 80% of all professional stadium projects in North America (Kellison & Mills, 2020). Utilization of this system is omnipresent in the NFL to this day, and the 1982 Raiders were a key catalyst in this development.

In exploring opportunities for the Raiders' relocation, Las Vegas emerged as the leading candidate, due to an intriguing medley of private investors, limited competition and substantial

public incentives (Mayer & Cocco, 2020). In late 2016, the county and the franchise reached a deal to subsidize a nearly $2 billion stadium, with the public sector responsible for contributing 40%, or $750 million. This number set the new record for public contribution, not in the NFL, but for any of the major sports leagues. Other sources of funding come from a $261 million Bank of America loan, as well as a $162.2 million loan from the NFL (Saraceno, 2017).

Nicknamed the "Death Star" due to its intimidating appearance and reflective black paneling, the 1.75 million square foot Allegiant Stadium was fully operational for the first time in the 2020 season. The stadium has 9.85 miles of wire ropes to suspend the etfe roof, 28,000 tons of structural steel, an amount heavier than Statue of Liberty, and 105,000 cubic yards of concrete for 257 miles of sidewalk, which equals the distance from Las Vegas to Los Angeles (Gutierrez, 2020). Current Raiders owner Mark Davis also prioritized the interconnectivity of the fan experience, wanting to create a stadium that would become a cultural icon. Allegiant has 1,700 WiFi access points, 227 miles of cable, 2,200 TV screens and even a "selfie station" featuring the Las Vegas strip, features that no stadium has ever implemented (Barrabi, 2020).

Stadium Construction Process:

In order to fund this expensive and state-of-the-art stadium, Las Vegas representatives followed past precedent and relied heavily on taxpayer contributions. The answer was a .88% increase in the hotel tax, which consultants claimed would pay off all the municipal bonds the city had invested. Local and state governments would accrue additional revenue through a combination of municipal bonds and tourist tax increases (Mayer & Cocco, 2020). With the majority of funding coming from an increase in the hotel tax, lawmakers espoused that this tax

would primarily affect visitors and any negative economic impact would be negligible for Las Vegans.

Economists agree that this rationale was not based in economic theory, but rather in conjecture from the Raiders' owner and consultants charged with convincing the parties involved. The basis of the disagreement stems from the incidence of the hotel tax. Previous literature of hotel taxes shows that increased taxes lead to a decrease in both hotel occupancy and a decrease in the next of tax price received by hotels (Collins & Stephenson, 2017). The notion that hotel taxes will be paid by visitors from outside the taxing jurisdiction carries much appeal among state and local government leaders seeking to avoid angering local voters. However, empirical evidence shows that the economic distortions created by hotel taxes adversely affect the city instituting the tax. Since there are 147,238 hotel rooms in Las Vegas and nearly 50 million tourists visit each year, the effect of this change is potentially highly disruptive (Hotel Valuation Index, 2018). Separate sports consultants and advisors not working on the project, such as former executive Jim Nagourney, agreed that the team's forecast for outside fans and hotel taxes were exaggerated to convey public benefit (Belson, 2020).

State leaders who voted in 2016 to sink $750 million into the stadium were also sold on construction jobs the project would generate. They were told, from consultants on the project and Raiders front office members, that the stadium would create 18,000 jobs, including 11,000 "person-years of employment" to build the stadium itself (Gentry, 2020). Jeremy Aguero, a lead consultant for Applied Analysis (the firm that handled the construction of Allegiant Stadium), said that "the entire idea of the public's investment in Allegiant Stadium was largely to drive additional activity from an economic standpoint." This was music to the ears of Nevada

lawmakers, considering the sheer amount of construction jobs that evaporated during the Great Recession.

Despite claims from various Las Vegas stakeholders, Allegiant Stadium construction did not spur job growth. After completion of the stadium itself, a report from the contractor revealed that the project created 5,656,218 hours of construction labor (Las Vegas Stadium Authority, 2020). That is only 2,719 full-time equivalent jobs, or approximately 900 in each of the three years of construction, around a quarter of the initial estimate. Former State Senator Patricia Farley, who voted to shuffle tax revenue to construct the stadium, remarked that she was "highly disappointed" in the discrepancy between the reality and the projections (Gentry, 2020). "It's a forewarning to future legislators asked to consider these types of ventures," Farley said. "There are no consequences when those who stand to benefit the most are knowingly not truthful when testifying to the Legislature." Owners, with perpetual leverage over these processes, never meet their comeuppance, instead placing the burden on the taxpayer. Examples of new sports stadiums' inability to create new construction jobs is well-established, but Las Vegas representatives and stakeholders did not heed to these lessons.

Economic Analysis:

A deeper dive into the broader economics behind the decision to fund Allegiant Stadium yields the same results; Las Vegas' revenue sources show that the investment is not sound. Aguero argued that they expect 35 percent of fans for events in the stadium to come from outside Las Vegas, and each out-of-town fan to stay an average of 3.2 nights and spend $820 per trip (Belson, 2020). Therefore, using Aguero's numbers of projected outside fans coming to Allegiant, Las Vegas would accrue $18.65 million yearly off of the Raiders. Concerts and other

events will generate additional revenue, so this number is likely slightly higher than the initial estimation.

Regardless of how much these stadiums make, a few caveats exist that diminish out-of-town guests' revenues. This calculation assumes gross profit, not net, and stadiums are extremely expensive to maintain. In 2014, the home of the Seattle Seahawks, CenturyLink Field, cost $16.44 million to maintain (Washington State Public Stadium Authority, 2014). For the Minnesota Vikings' new stadium, the city of Minneapolis will pay $7.5 million annually, with these costs set to increase each year in order to maintain a first-class stadium (Kaszuba, 2012). Cities are often on the hook for part or most of renovation costs, with constant threats of relocation if they do not undergo renovations or upgrades as deemed essential by the owners. Another issue with Aguero's estimate is the potential overestimation of out-of-town fans in the first place. It may seem that Aguero was correct in estimating how many non-Las Vegas individuals will attend the games – approximately 40% of tickets acquired have been from outside of Nevada (Ticketing Business News, 2020). However, many of these tickets were acquired by California residents, many of whom will make the drive to the games and will not spend 3 nights in Las Vegas. Other savvy buyers, understanding the value of tickets to a new stadium, could purchase tickets and resell them above face value to Las Vegas residents close to game day, rendering the out-of-town benefits as moot. The numbers Aguero provides are eye-popping, but concealed costs and potential overestimation of out-of-town visitors are likely to diminish any benefits Las Vegas hoped to reap.

Another argument made by proponents is that the Las Vegas Raiders would become an important part of the Las Vegas economy, supplementing traditional Las Vegas industries such as tourism and gambling. These arguments are certainly a stretch, considering the sheer size of

these two industries in the city. Before the pandemic hit, 49.5 million tourists visited Las Vegas, spending $34.5 billion directly for a total economic impact of $57.6 billion (LVCVA, 2019). In the 2019 fiscal year, 169 large casinos in Las Vegas reported total revenues of nearly $22 billion. Their aggregate net income almost reached $2 billion (PaySpace, 2020). Even the most generous estimates, which predict that Las Vegas would make tens of millions per year in revenue off the stadium, would barely move the needle on the overall economy. Considering the $750 million taxpayer cost of the stadium and estimates to make roughly $20 million annually, it would take 37.5 years for the investment to break even. Meanwhile, teams usually threaten to relocate unless they receive a new stadium roughly every 25 years (Ortiz & Glier, 2016). By the time that the stadium would become even slightly profitable, the average stadium stint suggests that the Raiders would have either left or demanded a *new* stadium. This calculation does not even consider maintenance costs or the economic displacement stadiums have on surrounding businesses.

Allegiant Stadium may not benefit Las Vegas, but there is no doubt that the Raiders organization will profit substantially. Directly after the stadium was built, the Raiders' valuation surpassed $3 billion, ranking twelfth among the 32 teams in the league. Only five years ago, when playing in the dilapidated Oakland Coliseum, the Raiders were worth $1.4 billion, 31st out of the 32 teams (Ozanian & Badenhousen, 2020). Additionally, with the NFL soaring in popularity in recent years, lucrative television deals from major networks have become commonplace. CBS, NBC and Fox shelled out a total of $39.6 billion between the 2014 and 2022 seasons, and these fees are set to rise by about 7% annually in 2022, meaning they will *each* be paying the NFL more than $2 billion per year (Draper, 2021). ESPN will pay about $2.7 billion a year on average, up from their previous payment of $2 billion. With a media market

clamoring for a football team, the international brand of the Raiders and a brand-new stadium ready for broadcast, the Raiders realized that relocating to Las Vegas would afford them these highly profitable deals.

Television deals are clearly the golden goose of the entire operation, but ticket sales are a steady source of cash that helps owners and the front office remain profitable. The new Allegiant Stadium has a capacity of 65,000 fans and the stadium will host 8 games per year. The pandemic has severely reduced supply and increased demand, so while ticket prices right now are more expensive than normal, ticket costs are projected to average $153.47 when life returns to normal. With these factors in place, the Raiders would accrue $79.8 million in gross ticket sales. Clearly, the Raiders would not collect all of this, as much of this revenue is distributed: typically, 55% of that revenue is used to pay athletes, 10% goes to general stadium administration, 5% goes to the team's coaching staff, 5% is paid in taxes, and the remaining 8% is profit (Sportico, 2019). Assuming the 8% margin, the total profit from ticket sales is roughly $6.4 million annually.

Hoping to sell tickets in a manner that would pay off their construction costs, the Raiders utilized the controversial practice of personal seat licenses (PSL) in search for even more revenue. PSLs allow teams to grant fans the right to buy season tickets for a certain seat in a stadium across several seasons. The Raiders raised a whopping $549.2 million in PSL revenues; the Raiders used this money as the direct contribution to the construction of the $1.97 billion stadium project (Snel, 2020). Fans paid anywhere from $500 to $75,000 to secure exclusive rights to their seats, and fans still have to spend more on the price of the ticket for the eight home games at each NFL stadium with these licenses (Belson, 2020). Under ideal circumstances, the PSL holder can sell individual games above face value or resell the license for more than they originally paid. In practice, the values of PSLs fluctuate often based on factors such as team

record, fan engagement and stadium quality, and can even lose their value entirely if a team relocates, such as St. Louis in 2016 (Barrabi, 2020). Fans, generally, do not understand the inherent risk in these investments; many have taken out loans and spent thousands on down payments just to secure the *rights* to the seats, not the seats themselves.

Discussion:

The aforementioned evidence shows that the affluent partners of the Las Vegas Raiders are the beneficiary of the new Allegiant Stadium, rather than taxpayers or the greater economy. This raises the question of why Las Vegas politicians would sponsor such a measure, knowing that these deals do not stand to benefit their constituents. Here is where the theory of client politics can shed light on the logic of stadium construction. Knowing that Las Vegans were in search of a new football team, these politicians worked together with a powerful "client," in this case the Raiders, to improve their political prospects. Las Vegas politicians funded the stadium and lured the Raiders, making it *two* teams they had successfully recruited in two years – Las Vegas also won an NHL expansion team in 2017. Economic considerations aside, recruiting two teams in such a short span sends a message that Las Vegas is a growing city capable of hosting sports teams; studies have shown that citizens place value on having sports teams in their city, even if they do not follow the team themselves (Owen, 2006). Politicians reap the positive political gain, as Las Vegans praise those who were the driving force behind their new teams. Meanwhile, since many Americans are unaware of the economic toll, politicians are able to masquerade the economic disadvantages of their actions.

There was little incentive for policymakers to subject a stadium-subsidy plan to a referendum or initiative because it could open the possibility that voters would reject the

proposal (Kellison & Mills, 2020). By closing off avenues for the citizenry to disrupt the construction process, politicians gain the benefits of sports teams in their city while minimizing their costs. Politicians are able to satisfy the organized interest group, in this case the Raiders, while also benefiting from constituents who are unaware they are being harmed. Client politics is a nontransparent system, and Las Vegas politicians demonstrated how this secrecy plays out.

Client politics is likely not the only factor that led to the approval of Allegiant Stadium: Las Vegas lawmakers may have seen the gaudy economic projections and voted to support. Applied Analysis testified that the stadium would bring $620 million in annual economic activity and thousands of jobs, an estimate that compares to the enormously profitable casino industry (Southern Nevada Tourism Infrastructure Committee, 2016). Representatives such as Senator Farley heard testimony from these stakeholders, believed the numerical figures and subsequently voted in favor of the stadium. In an interview with a local Nevada newspaper, Nevada Attorney General Aaron Ford, a state senator in 2016, said that he could not "leave [the] chamber and look a laborer in the eye and say I had a chance to give you a job, but I didn't" (Gentry, 2020). Farley added that he was persuaded by his constituents, many of whom were in the construction sector and had struggled to find work since the Great Recession. Farley and Ford were disappointed in the job and economic results, mainly because they believed the exaggerated projections and were not aware that stadium construction often results in negative outcomes.

Since Allegiant Stadium is so new and has not even welcomed fans inside due to COVID-19 protocols, a complete economic analysis is hard to conduct. Yet, if the early reports are any indication, Allegiant Stadium will prove to be an unwise investment for the city of Las Vegas, as the nearly $2 billion price tag has not created as many benefits as once promised. The intrinsic public benefit of Allegiant Stadium must be considered, as there are new intangible

benefits catalyzed by the stadium: a state-of-the-art facility with new businesses and restaurants is an attractive proposition to most. However, as many previous studies measuring the intangible benefits of sports stadiums have concluded, these amenities will certainly not justify the $750 million price tag. Las Vegas citizens should be excited that they have a new football team in their area, as well as a beautiful new stadium that will host many exciting events in the future. Yet, if these citizens were aware of the economic overestimations and the political machinations required to build their stadium, they would realize that their new stadium is not all that it is made out to be.

Case Study #2: Dropping the Ball – The Bronx Bombers and New York Politicians

The New York metropolitan area is densely populated with stadiums and areas as well as people. Within a 60-mile radius of Madison Square Garden in the heart of Manhattan, there are four stadiums and four arenas, totaling roughly 335,000 seats in total for baseball, hockey, basketball, football and soccer teams. Sitting in the Bronx, Yankee Stadium is perhaps the most famous, known for its pristine white arches and stylistic logo perched atop the entrance from the 161st Street subway exit. Known as the "Cathedral of Baseball," the original Yankee Stadium was the long-time home of the Yankees, with the team playing there from 1923 to 1973 and then from 1976 to 2008. The Yankees have a celebrated past with more World Series championships than any other franchise and legends by the name of Babe Ruth and Joe DiMaggio. What is less celebrated is the lengthy and controversial process of building the new stadium, as well as its toll it took on New York infrastructure and constituents alike.

Now a coveted franchise known by most baseball fans, the Yankees were once a relatively obscure team. In 1922, Yankees owner Jacob Ruppert funded the entire Yankee Stadium, spending $2.4 million, or only $345 million in 2021 dollars (Sullivan, 2008). With a new stadium at their disposal, the Yankees, with Babe Ruth at the helm, rose to become baseball's most respected and successful franchise, winning a World Series every two years, on average. But when CBS purchased the team in 1964 for $13.2 million, the success ground to a halt, and the "Bronx Bombers" finished no higher than 3rd for a decade. Taking a backseat to the successful New York Mets in Queens, CBS decided to offload its underperforming asset to a group of investors. The tides changed dramatically in New York when in 1973, George Steinbrenner and a consortium of investors purchased the franchise for $10 million. The Yankees returned to their old success, winning several more championships and even earning a new

stadium in the process. As it stands, the Yankees are now worth $5 billion, or the second most expensive team behind the Dallas Cowboys. Adjusted for inflation, Steinbrenner and his partners increased the Yankees' valuation *96x higher* than the original investment (Gough, 2020).

The Yankees did not need public subsidies to fund their stadium, as the affluent owners of the team, in conjunction with substantial revenues from a variety of sources, would have easily covered the cost of the stadium. Not only do the Yankees earn the highest valuation, but they are also the richest team in baseball, with annual revenues over $300 million and giant television deals with local and national partners. The Yankees also accrue additional revenue from their own cable TV network, $117 million in gate receipts, and $30 million in licensed merchandise, granting them the largest payroll, as well (Harrington, 2011). The Yankees had fallen to fifth in total ticket revenues during the 1996 season, but the club's total revenues were $129 million – $26 million more than the next-closest franchise and more than twice the average of other MLB teams (Stern, 1998). Yet, during the late 1990s and early 2000s, Steinbrenner threatened to relocate the team, arguing that the run-down neighborhood in the southwest Bronx made it impossible to attract enough fans to keep the Yankees competitive.

Due to perpetual threats that he would move the Yankees, Steinbrenner leveraged his asset and reached a lucrative deal to stay in New York. Steinbrenner negotiated a $2.3 billion new stadium with $1.2 billion in public subsidies, far surpassing the record for overall public funding towards a stadium. Even when discounting the $417 million in property-tax breaks, it is still one of the largest stadium subsidies ever, and the Yankees are only on the hook for $670 million. The main question of this case study is understanding why New York politicians obliged the Yankees. To do so, I first analyze the political maneuverings associated with Yankee Stadium construction, and then move into an economic analysis of the stadium and various

loopholes utilized by stadium proponents. As with the Raiders case study and the myriad other examples of stadium construction, the purported economic benefits and political leverage offered by this deal were key in the approval and construction of Yankee Stadium.

Stadium Construction Process:

Satisfying constituents certainly was not the motive for building the stadium, as previous referendums on stadium construction had failed in the New York metropolitan area. In 1984, New Jersey Governor Thomas Kean authorized the use of land for a new baseball stadium in the Meadowlands, but the state legislature voted against the measure (Peterson, 1995). In 1987, New Jersey voters rejected a proposal that would allocate $185 million of public financing to the construction of a new Yankee Stadium (Sandomir, 2008). Despite public opinion suggesting that New Jersey citizens would not welcome the Yankees, Steinbrenner continued to use relocation as a threat towards New York City lawmakers. In 1988, Mayor Ed Koch agreed to have city taxpayers fund $80 million for lucrative luxury boxes at Yankee Stadium; Steinbrenner initially agreed, but then rescinded on the offer, realizing he could extract more from politicians desperate to hold on to their team. This pattern would reoccur, and by 1995, Steinbrenner had rejected 13 proposals to keep the Yankees in the Bronx (Sandomir, 1995).

While it may seem as if Steinbrenner held all the political leverage in these negotiations, a deeper look at the context of the issue reveals that his bargaining power was quite limited. Steinbrenner's biggest constraint was the possibility that he would have to finance the entire stadium in New Jersey. Governor Christie Whitman had said repeatedly that she would not spend tax dollars on a ballpark and would not accommodate a new team unless the financial data showed a solid investment (Pooley, 1995). He would also have to absorb a fierce public relations

hit, as the optics of moving the storied New York franchise would have angered New York residents. Yet, New York politicians, terrified of the political implications of losing one of the most storied franchises in sports, focused more heavily on reaching a deal than calling Steinbrenner's bluff.

New York's most powerful figures often reneged on campaign promises or their political philosophies in order eliminate any risk of the Yankees leaving town. Mayor Rudy Giuliani, despite promises to lower taxes and reduce government intrusion into the economy, announced tentative billion-dollar deals with the Yankees and Mets towards the end of his term in 2001 (Harrington, 2011). This political gambit by Giuliani was savvy, as he attached his name to the legacy of the fields while also placing the onus of blame on his successor, Mayor Michael Bloomberg, if negotiations were to sour. Bloomberg referred to Giuliani's proposal as "corporate welfare," but his viewpoint shifted after realizing the gravity the Yankees had on his performance as mayor. Despite budget gaps estimated at $3 billion in 2008, Bloomberg encouraged state and local officials to help fund Yankee Stadium's price tag (Damiani & Steinberg, 2008). Because the Yankees carry so much cultural capital, any mayor who were to lose the team would anger the Yankee faithful, which could reflect in the next election. Giuliani and Bloomberg understood that public financing may be an unpopular decision among New Yorkers, but losing the team could lead to their political downfall.

New York's government agencies also participated in sly undertakings by gaming the tax system and perpetually underestimating construction costs. In testimony presented to the Independent Budget Office, the New York City Council Finance Committee explained that over a 30-year period, subsidies and exemptions would cost the city $170 million (IBO, 2006). This testimony vastly underestimated the total cost of public financing, as the final number ended up

closer to $1.2 billion. By fronting the construction costs, it appeared as if the Yankees would pay for most of the stadium; however, they were not required to pay rent, mortgage recording taxes, or sales tax, and these subsidies cost the taxpayers. In an audit of the Yankees Stadium, the Chief Counsel of the IRS revealed that the Yankees had taken advantage of a loophole that allowed sports stadiums the benefit of tax-exempt financing. Using this method, the Yankees saved $189.9 million in construction costs, according to New York City's Independent Budget Office (IBO, 2006). In 2008, the House Committee on Government Oversight and Reform questioned the practices of the new Yankees Stadium in a hearing titled "Gaming the Tax Code." The hearing revealed how federal taxpayers were deprived of $950 million due to the non-taxable nature of the bonds, as well as the monopolistic structure of the Yankees and the MLB as a whole. The president of the Yankees, Randy Levine, admitted in his written testimony that the Yankees would have left the Bronx if they did not receive payment-in-lieu-of-taxes financing, further contributing to the evidence that the Yankees took advantage of their bargaining leverage.

Mayors and prominent agencies were highly involved in permitting Yankee Stadium's construction, but local representatives also featured in the equation. In a process that took nine days and involved no public opinion or referendum, New York city policymakers agreed to build over Macomb's Dam Park and a section of John Mullaly Park – popular destinations in the Bronx – and then have New York taxpayers pay $130 million to replace them. There were several groups of residents that organized to prevent relocation, including Save Our Parks, Bronx Voices for Equal Inclusion and Save Yankee Stadium (Damiani & Steinberg, 2006). Yet, Council Member Maria del Carmen Arroyo said that her constituency did not reach out to her regarding the proposal. Arroyo was correct in that her constituency was not very vocal about the issue, but the lack of pushback was not due to widespread public approval but rather a nine-day

window to vocalize complaints (Mindlin, 2005). The actions of New York representatives like Arroyo draw parallels to those of Bloomberg and Giuliani – no matter the public resistance to the stadium, keeping the Yankees in the Bronx was far too important to their political careers to consider otherwise.

Economic Analysis:

With all of the political background aside, understanding the economics behind this decision gives an objective look at whether the stadium was worth the price. Below, I outline why the stadium is largely not worth its price despite several economic reports indicating otherwise. The only party that benefitted financially from the new stadium were the Yankees themselves. The new stadium followed a similar trend as many other new stadiums, in that the inhabiting team increased their valuation dramatically after construction ended. From 1998 to 2011, the Yankees valuation increased from roughly $400 million to $1.35 billion, a sizable 237% increase in total and 18.23% yearly. As soon as Yankee Stadium was finished, the valuation rose from 1.35 billion to its current $5 billion valuation, a 270% increase and 30% yearly (Forbes, 2020).

The Yankees benefitted handsomely from the construction project, but these benefits did not trickle down to the taxpayers. The City of New York and two public benefit corporations, the Empire State Development Corporation (ESDC) and the Economic Development Corporation (EDC) released a General Project Plan (GPP) that outlined the financial considerations of the stadium. Some highlights from the GPP included $70 million for new parking garages, a property tax exemption of $44 million and tax breaks on mortgage recording taxes and sales taxes (NY Parks & Recreation, 2006). The Yankees fronted the construction costs for the

stadium itself, but the rest of the bill would be paid by taxpayers as the Yankees were exempt from these payments. The Yankees also exercised various clauses in New York City's infrastructure program, including the Empire Zone program, which encourages business development in designated areas, as well as the Industrial and Commercial Incentive Program, which provides a property tax break to commercial buildings that are physically improved, expanded or newly constructed (Damiani & Steinberg, 2006). The Yankees ostensibly fronted the cost for the construction, but the sheer number of provisions and tax breaks in place allowed them to shell out a negligible net payment in the end.

Tax breaks for the Yankees not only covered their costs but deprived a substantial source of revenue from the city when they did not collect the payments. Because subsidies for sports stadiums typically involve direct public expenditures for the construction of the facility, revenue sources such as rent and taxes spurred by the stadium would ideally be recovered by the city. However, the financing arrangement for the Yankee Stadium project involved a contribution of over $200 million from the city and state for up-front costs including parking garages and replacement parks (Damiani & Steinberg, 2006). Revenue sources designed to benefit the city were unable to be recuperated, and the burden fell on the New York taxpayer to fund these payments.

Perhaps these taxpayer costs would be justified by the economic revenue created by a new stadium, but this is not the case. The Yankees generated $683 million in total revenue in 2019 – an impressive number – but much of this number is diluted by player salaries, stadium upkeep and administration costs. Additionally, because the Yankees maneuvered their way out of tax and rent payments, this revenue is not reinvested back into the city and instead goes back to the team itself. Therefore, when New York City or the Yankees project total generated revenue

to impress their constituents, their estimates tend to be far greater than the actual result. For instance, an analysis by the New York City Economic Development Corporation estimated that the 2018 home opener would generate $6.6 million in revenue, due to 25,000+ visitors travelling to New York City and creating economic activity for local businesses (NYCEDC, 2018). Nevertheless, this estimate projects $5.2 million in *indirect* economic impact, which factors in the spending of Yankee Stadium employees and companies who benefit from the spike in visitor expenditure. As previous literature covers, outside visitors may spur some level of growth, but the economic displacement of spending at stadiums versus other businesses in the area create a zero-sum outcome. The *net* revenue may be close to $6.6 million, but these predications fail to take into account the influence of Yankee Stadium and its ability to take away from surrounding industries.

Politicians and the Yankees front office promised job growth, but the estimations from both parties were far different than the results. Supporters of the stadium believed that Yankee Stadium would create 1,000 permanent jobs, based on Levine's estimate. This estimate differs from city and state-sponsored research, which put the figure at 700 and 598 jobs, respectively. In reality, the official job creation was closer to 15-30 full-time jobs, as most of the jobs were seasonal or temporary (IBO, 2006 & Dwyer, 2009). Creating these jobs is one part of the equation but ensuring that jobs actually provide long-term opportunities for New Yorkers is another challenge. The head of several development corporations on the project said that there was no means to ensure the Yankees create their target number of jobs; as the results show, the Yankees overpromised and undelivered (Dwyer, 2009).

Arguments for neighborhood revitalization make little sense, considering that the new Yankees Stadium is directly across the street from its former home. Despite New York officials

arguing otherwise, the new stadium does not draw more economic activity than its predecessor, as many attendees of the Yankees are either New York residents or tourists that would attend the game anyways. The IBO reasoned that providing a new or substantially refurbished stadium to the Yankees would generate an additional $111 million in economic activity and $5 million in city revenues (IBO, 2006). Much of this revenue would derive from increased ticket prices at the Stadium; however, ticket prices have actually *decreased* from $51.83 in 2010 to $47.62 in 2019 (Gough, 2020). Although a new shopping mall, the Gateway Center, has opened at the nearby Bronx Terminal Market and has provided many new minimum-wage jobs, the profits go to major corporations rather than the people of the Bronx (Harrington, 2011). The Gateway Center has also hurt small businesses in the area, as many Bronx businesses have reported that their profits have shrunk as much as 50% since the new Yankee Stadium opened (Harrington, 2011).

Not only are there negligible benefits created by Yankee Stadium, but many proposed features included in official reports are either nonexistent or less than promised. One report included that there would be a passive park, named Ruppert Plaza, that would comprise of an allee of trees on 1.13 acres of new parkland. The design of Ruppert Plaza would include significant landscaping, including shaded areas and passive park amenities, such as benches, resting areas, and pedestrian walkways (NY Parks & Rec, 2006). In reality, Ruppert Plaza is a parking garage, with no park features and no additional park land added in comparison to the older stadium. Several other proposals, including 14 tennis courts above a parking garage on 161st street, streetscape improvements and replacement facilities, are simply non-existent. The project's Draft Environmental Impact Statement argues that the 3,000 new parking spaces would not result in additional vehicle trips and would ease traffic in the neighborhood. This claim goes against well-established parking data, as the availability of parking is a key determinant in how

fans get to the venue (Damiani & Steinberg, 2006). Changes or restructuring is commonplace during a major construction project like Yankee Stadium, but many of these improvements that were attractive to taxpayers, fans and citizens alike were not similar to the proposal.

Discussion:

Now that the stadium has been in place for over a decade, the Yankees faithful has returned mixed reviews. One prominent criticism from the earlier years was the poor layout of the stadium itself, as the seating area in center field obstructs the views from bleacher seats on both sides and seats near home plate are inaccessible for fans to interact with players (Kepner, 2009). In the 2016-2017 season, the Yankees decided to renovate the bleacher area, adding additional costs to the original construction project. Other construction problems include large cracks in the stadium's concrete ramps, and the company involved drew criticism from mob connections and a propensity to forge test results (Rashbaum & Belson, 2009). Another criticism has been the lack of fan noise, a complaint that has been shared by fans and players alike. Many Yankees players, including legends Mariano Rivera and Derek Jeter, said that the new stadium lost the aura of the previous storied stadium. In his autobiography, Rivera wrote that the stadium "doesn't hold noise, or home-team fervor, anywhere near the way the old place did. The old Stadium was our 10th man—a loud and frenzied cauldron of pinstriped passion, with a lot of lifers in the stands." (Rivera & Coffey, 2014). The stadium is certainly beautiful, but these criticisms, in conjunction with the high public cost and a loss of public parkland, challenge the utility of the new stadium.

Whether to achieve political gain or avoid poor political outcomes, client politics can help us understand how this state of affairs came to be. The Yankees front office carried a

tremendous amount of leverage and took advantage, as the departure of their team would be catastrophic for New York politicians. The Yankees forced New York politicians to contribute a massive amount of funding to the overall total; however, harming the diffuse and unknowing taxpayer was preferable to losing the beloved Yankees. And while there were citizen groups that organized to prevent the stadium's construction, politicians purposefully sped up the process to shut out the citizenry from having any say. The actions of politicians to appease the organized minority, in this case the Yankees, while spreading out the losses across millions of New Yorkers, is a classic case of client politics.

Quantifying the public good benefit of the new stadium is difficult, as Yankees fans are notoriously passionate for their team and may evaluate their team differently than previous CVM or hedonic models. Yet, the tactics utilized by politicians and Yankees front office to build the stadium raise questions to how beneficial the stadium truly is. This case study highlights the high-stakes decision-making of political leaders and economic interests, and its public cost serves as an example for many of the high-priced stadiums introduced in recent decades. Yet, at its foundation, Yankee Stadium is one of the many instances of how the concentrated gainers of stadium construction triumph over the dispersed, poorly organized taxpayers. The powerful Yankees, with help from prominent politicians, used their bargaining power over taxpayers that were too spread apart to effectively create a coalition or any form of resistance. The result: a brand-new Yankee Stadium, one that favors public officials' political prospects and the Yankees but once again harms the taxpayer.

Lessons Learned: Zooming Out Domestically and Internationally

When analyzing other stadium construction projects and their backgrounds, the Raiders and Yankees are not extreme examples, but rather representative of this public policy issue. The two cases yield valuable lessons that are generalizable to other settings. Firstly, powerful interests are able to yield a disproportionate amount of power in this domain, and by doing so they harm a significant portion of taxpayers in the region. Politicians oblige these processes, both to mitigate risk but also to benefit politically. Secondly, politicians and owners alike systematically overestimate the benefits of new stadiums to sell the stadium as a solid investment and to limit potential pushback. Lastly, while intangible benefits are present in stadium construction, they do not justify the expenditures for new stadiums. These lessons help set the stage for the following discussion, which zooms out from the Yankees and Raiders to apply these findings to other contexts.

The underestimation of public costs seen in New York is a widespread problem in sports construction. The Atlanta Falcons – an NFL team – are similar to the Yankees in that they vastly underestimated the price tag for their stadium. The initial estimate for Mercedes Benz Stadium, their new stadium, was $1 billion in total, with total public funding coming in at $200 million. These figures were below the final total by hundreds of millions of dollars. After problems with the construction itself and the need for more capital, politicians ended up shelling out over $1 billion in public funding, $248 million of which was issued through local bonds (McDonald, 2016). Combined with $77 million in sales tax rebates, infrastructure investments and usage of city-provided land, as well as annual payments for renovations and the eventual demolition of the stadium, Atlantans will be responsible for over five times the initial $200 million estimate. If all taxpayers were aware of these costs, there would likely be much more resistance to these

deals. Interested parties minimize pushback from the public by utilizing lesser-known payment methods, such as tax-exempt municipal bonds, or by omitting future costs of renovation. The income that lenders earn on municipal bonds is exempt from federal income taxes, meaning that the taxpayer needs to make up the difference not covered by taxation; unfortunately, the average American is not aware of these complexities. Construction costs are easy to understand, but municipal bond structures are not, so taxpayers contribute funds without understanding where their money goes. The other strategy is to obscure renovation payments as a part of the public's tax contribution. As the Raiders case study indicated, renovation costs tally in the tens of millions per year, much of which falls on the taxpayer. These costs are incurred in the future and are not part of the original expense report for a stadium, so the public is often not aware that they will have to pay even more than they had thought initially.

The Yankees and Raiders case studies highlighted how politicians overestimate job growth, and this pattern is not exclusive to these two stadiums. In St. Louis, statistical evidence suggested that the levels of employment in the construction industry were neither higher nor lower during the construction of two new stadiums (Miller, 2016). To replace Candlestick Park, the proponents for a publicly funded stadium created the slogan "Build the stadium – create the jobs!" (Noll & Zimbalist, 2011). These proponents argued that, similar to the Yankees and the Raiders, that new infrastructure and stores near the stadium would create new job growth in areas desperately needing help. The final result was similar to St, Louis', in that the stadium only created 60 full-time jobs (Avalos, 2014). Instead of focusing on *permanent* job growth, politicians use part-time and temporary job estimates and then promulgate this information. For instance, the replacement for Candlestick Park, Levi's Stadium, technically created 12,000 new jobs with the rest dissolving as construction ended. Yankee Stadium and Allegiant Stadium both

created thousands as well, but the final estimates are reduced to near-zero after construction jobs end. Many of these jobs are also transferred jobs, as workers will move from their positions as security guards or concession workers at old stadiums and occupy the same position at the new stadium. Instead of focusing on total job output, politicians cleverly count all the jobs required to build the stadium, leading to perceived job growth that does not really exist.

Another justification of stadium construction not specific to the Raiders and Yankees is that a new facility will catalyze economic development in the area. While there is evidence that sports facilities offer *opportunities* to spur economic growth at the local level, such as the reuse of underutilized buildings, economic development is not guaranteed (Chapin, 2007). Baltimore is considered as a success story in this area, in that they utilized old warehouses and dilapidated infrastructure and developed a stadium now considered to be one of the most beautiful in all of sports. And yet, despite the Orioles drawing in fans from all over the country, the City of Baltimore receives a net of less than $40,000 every year after its $1 million annual payment towards stadium debt (Dougherty, 2014). Other cities such as Cleveland, Boston, Denver, Indianapolis and Phoenix have also pledged economic redevelopment, but studies have shown that these promises have not lived up to expectations (Austrian & Rosentraub, 2016). Constituents may be enthusiastic with the significant amounts of revenue produced by sports teams, but economic development should not be confused with economic distribution. There is an opportunity cost associated with a new stadium, because if the stadium did not exist, constituents would spend their money in other areas.

The downfalls of stadium construction may appear uniquely American, but the dynamics that played out in New York and Las Vegas appear to be universal. International governments fall into two categories when trying to build a stadium and host an event. The first is similar to

American construction projects, in which governments believe that a large-scale event, such as the Olympics or the World Cup, will benefit the economy or improve their political prospects (Zimbalist, 2020). The second reason is to enhance the social status of the country itself, hoping that the internationally broadcasted event will bring fame and relevance (Alegi, 2008). In many cases, the result is similar to American outcomes, in that the purported benefits fall far short of expectations. In some countries, the outcomes range from directly harmful to outright catastrophic.

Stadiums built to elevate a country's social status may achieve this goal, but many side effects of these investments have been detrimental. The prodigious Cape Town Stadium in South Africa cost $600 million to construct, and yet the stadium is rarely used since the 2010 World Cup and has even seen calls for its demolition (Alegi, 2008). During the process, 70,000 construction workers went on strike in 2009 after being paid negligible wages for their work, and human remains were found on site (Stadium Database, 2020). For the 2014 World Cup in Brazil, eight workers died in a fire during construction, several structures collapsed, crew destroyed rainforest and thousands of families in Rio de Janeiro's slums were cleared out to accommodate stadium land (Powell, 2016). The $220 million dollar stadium is now a white elephant, situated in a city where one-quarter of its inhabitants are extremely poor and lack running water.

The most catastrophic example of stadium construction is seen in the upcoming 2022 World Cup in Qatar. Eager to show off Qatari progress, the nation is building an entire *city* for the occasion, with a cost estimated at $45 billion. Not to mention the staggering cost, migrants from Bangladesh, India and Nepal working on various stadiums' refurbishment are exploited or even subjected to forced labor, unable to change jobs, leave the country or receive timely

compensation (Amnesty International, 2020). Over 6,500 of these workers have passed away, or an average of 12 migrant workers per week since Qatar won their bid in 2010.

These international examples reinforce the perils of stadium construction, ranging from the burden of the taxpayer to severe human rights violations. The rewards for these projects are so high that interests are willing to neglect the huge costs that accrue in the background. If large groups coordinated to avoid these outcomes, whether through protests or through coordinated voter efforts, then these outcomes would potentially become sparser. However, there have been sparse examples of citizen groups or other activism impeding these processes, so as long as this enterprise remains profitable and incentive-laden, the phenomenon is likely to stick around for quite some time.

This thesis focuses mainly on the economics and politics of stadium construction, but there are several avenues for further research. One major topic that necessitates further research is the environmental impact of sports stadiums. Stadium construction utilizes huge amounts of resources, much of which could be redirected towards environmental efforts, affordable housing or other projects that would more directly benefit these cities. Stadiums also create traffic jams in many areas, and the negative externalities of air pollution and congestion are direct consequences of stadium construction. Another topic that has barely any coverage in the literature is the health and safety of construction workers when building sports stadiums. In 2020, two workers died in a six-week span at the new SoFi Stadium in Los Angeles (Fenno, 2020). Many other workers have suffered life-altering injuries over the course of these construction projects, with most due to blatant code violations and construction mishaps. During the COVID-19 pandemic, an estimated 25 construction workers at SoFi stadium were infected with the virus (Duarte, 2020).

Whether these problematic outcomes are consistent with normal construction projects or exacerbated by the high-demand timeline of sports stadiums is worth consideration.

The Yankees and the Raiders case studies offer nuanced examinations of stadium construction, but this discussion highlights how these themes apply both domestically and internationally. American politicians and team owners often exaggerate benefits to their constituents, with the final outcome delivering less than promised. International examples not only build on these themes but have even reflected the severe human rights violations associated with stadium construction. And yet, the intangible benefits in each instance never measure up to the associated costs. Simply put, stadium construction is an issue in which the outcomes always underperform the promises.

Conclusion

As the Raiders, Yankees and various other cases have shown, stadium construction is a product of an imbalanced power struggle. The concentrated gainers of stadium construction, which includes stakeholders such as team owners and politicians, far outweigh the dispersed and relatively insignificant citizen groups. Gainers have strong incentive to invest in consultants or lobbyists to push forward their agenda, as doing so can reap great economic rewards in the future. Citizen groups against public subsidization have attempted to end public funding for these projects, but they the lack the political clout and well-organized nature of the gainers. Having a requisite number of citizens signing off on a petition may lead to a referendum on the issue, but powerful interest groups outspend public action groups significantly to defeat these ballot measures (Coates & Humphreys, 2003). By the time it is clear that a subsidy was a bad idea – assuming that constituents even notice – the officials who approved the deal have long left office.

Despite these powerful and organized gainers, there has been moderate success in curbing teams from securing public dollars. Miami politicians, worried that they would lose their basketball team after threats to leave the city, capitulated and promised $165 million of taxpayer dollars to replace their eight-year-old stadium (Bernstein, 1998). Only after a large-scale public protest were politicians dissuaded from shelling over millions, and they rescinded their offer. In recent years, citizen groups in cities like Austin and Seattle have collectively organized and garnered enough signatures to introduce the issue in city-wide elections. In Austin, over 26,000 voters – the required number to introduce a piece of legislation to the city council – signed a petition to prevent public funding for the new Austin FC stadium. Seattle citizens created a group called “Citizens Against Sports Stadium Subsidies,” in which they filed a petition to have a

referendum overturning the Metropolitan King County Council's decision to send $135 million in public funds toward the Mariners ballpark. There have also been referenda in Cleveland, Pittsburgh, Columbus, San Antonio, St. Paul, Scottsdale and more. Collective action problems are omnipresent in obtaining signatures and rolling out plans to prevent public funding, but Miami, Seattle, Austin and the other cities show that it is not out of the realm of possibility.

Citizens have avenues for change in this area, but organizing against the powerful coalition of politicians and business interests has proved nearly impossible. Using the very same examples as above, one can see that citizen activism has not actually led to better outcomes. The Miami Heat paid for private construction of their stadium, but the upkeep is on the public. The stadium sits on $38 million of county land and is in operation due to $64 million in public subsidies (Garcia-Roberts, 2010). Austin's Proposition A, which asked voters if they want the right to vote before the city sells or leases any city-owned property for a non-public sports or entertainment venue, failed by an overwhelming 62.9% to 37.1% (Neely, 2019). In Seattle, the original backers withdrew the petition from consideration only a week after introducing the idea, and members of the group offered no reason for their decision. King County Councilmembers posited that these citizen groups did not have enough resources to obtain signatures or hire a firm to carry out the process for them. Cleveland, Pittsburgh and the other remaining cities all had protracted affairs that eventually fizzled.

Due to the large revenue streams generated by new or renovated sports facilities, teams have considerable incentive to sway public opinion toward their side in these votes. Local politicians also stand to gain from the granting of these subsidies, in terms of political capital and visible accomplishments in the community (Coates & Humphreys, 2003). Citizen groups cannot rival the amount of influence of these two groups and have subsequently struggled to halt public

funding for these projects. However, there have been some glimmers of hope for stadium detractors in recent years. In 2016, San Diego voters rejected Measure C, a proposal that would have increased the city's hotel occupancy tax by an additional 6 percent to fund the construction of a city-owned stadium (Ballotpedia, 2016). After this ballot measure failed, the San Diego Chargers, unable to receive public funding, relocated to Los Angeles. Those against public funding for stadium construction achieved a rare win, despite stadium proponents and the Chargers outspending their opponents by millions of dollars (Garrick, 2016). It is possible that San Diego is the exception to the norm of stadium construction, but San Diego voters' ability to fight back against powerful interest groups shows that change in this area is possible.

There are many avenues for further research in the field of stadium construction that do not involve the already large literature of cost-benefit analyses. A compelling study would analyze why public action groups have largely failed to halt public funding and suggest potential solutions to this problem. The present study is the first to view stadium construction through a client politics lens, so additional studies expanding the scope of client politics to stadium construction would build upon my study. Additionally, more specific studies on fans' valuation of sports teams on a city-to-city basis would be extremely helpful for the literature. Fans in Boston or Chicago may value their teams more highly than Phoenix or Orlando, and subsequently assign a higher willingness to pay to keep their team. If a study uncovered these trends, then one could determine the fair price for what constituents are willing to pay and aim to reform public subsidization to match these figures.

My thesis aims to further illustrate the pervasive problem of stadium construction, and the various machinations used to place the burden on the taxpayer. These results reinforce the idea that not only is stadium construction a bad deal for the taxpayer, but that the process is

harmful in other, non-financial areas. My research also highlights the nuances of this issue and the various actions of interested parties to achieve what they want, and how these often-subtle actions have negative consequences. As long as the monopolistic structure of these leagues persist, fans maintain their interest for their teams and the valuation of teams increase, these trends are likely to persist for years to come.

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