



## **SHOULD BASEBALL BE FIRST IN LINE? Paying \$440 Million for a Baseball Stadium Would Limit the District's Ability to Fund Other Services**

By Ed Lazere

Major League Baseball is expected to announce soon that it will relocate the Montreal Expos to Washington. As part of its decision, the League will ask the District to build a new stadium. Mayor Williams has announced a plan to finance a baseball stadium almost entirely with public funds, at a cost of \$440 million. The DC Council is likely to act quickly on it after the League's announcement. Final legislation could be enacted this fall.

Mayor Williams claims that the stadium financing plan — which includes a new business tax and taxes on sales at the stadium — will not affect funding for other DC services. The business tax, he argues, would not be proposed or adopted for anything except a stadium, and taxes on stadium sales would not exist without a stadium. As described below, however, most funds raised for a publicly financed stadium could be available for other purposes, if a stadium were built by the new team's owners. Public financing thus represents a choice to devote funds to a stadium rather than to other needs.

At a cost of \$440 million, a stadium would be a huge public works project. Yet research consistently has shown that sports stadiums do little to create new jobs or raise incomes. Even the most successful stadiums, such as Camden Yards, do not generate enough revenues to justify a substantial public subsidy.<sup>1</sup> The mayor's own analysis shows that a stadium will create just 380 jobs for DC residents, which means the city would spend more than \$1 million for every job created. The main benefit of a new stadium thus would be its cultural and entertainment value.

The proposed financing plan includes \$21 million to \$24 million from a tax on business, \$11 million to \$14 million from taxes on sales at the stadium, and \$5.5 million in lease payments from the team owners. (These funds would be used to pay off 30-year stadium construction bonds.) This means that more than 85 percent of the stadium costs would come from DC taxes. While it is true that this will not require any immediate cuts in services, it would affect the ability to meet other public needs in the future, for the following reasons.

**A new tax on business could be used for other purposes.** Mayor Williams and other stadium financing supporters claim that this tax could be levied only for baseball and would not

---

<sup>1</sup> See *Would a Publicly Financed Baseball Stadium Pay Off for DC? Economic Research Suggests the Answer is "No"*, DC Fiscal Policy Institute, June 2003 (<http://www.dcfpi.org/6-9-03tax.htm>)

otherwise be adopted. Yet there is no reason that a new business tax would have to be tied to a baseball stadium. It could instead be used to support other needs, such as repairing DC schools, building a new public library, preserving affordable housing, or building a new public hospital. The mayor's argument essentially reflects his opinion that a new tax should be imposed for a stadium but not for other purposes.

**A new business tax for baseball would make it harder to raise taxes for other needs in the future.** Tax increases rarely are adopted easily. In the District, concerns about tax burdens make it particularly challenging to consider new taxes. If a business tax is passed for baseball this year, it would make it very difficult to raise taxes on business for other purposes in the future. It would even make it difficult to raise *other* taxes, since policymakers would likely be concerned about a perception of steadily rising tax burdens in the District. The baseball financing package is likely to move without a full discussion of current and future priorities for the District in this regard.

**A portion of a new tax on business could get passed through to residents.** New taxes borne by business will either reduce profits or require businesses to increase prices, or both. In some cases, such as utilities, the tax could be passed on entirely to consumers through higher bills. This means that a portion of the tax increase ultimately will be paid by DC residents, even those who do not want to go to the new stadium or cannot afford to do so.

**Devoting ticket, concession, and parking taxes to stadium construction robs the District's general fund.** Under the proposed financing plan, sales taxes on tickets, parking, and concessions would be used to pay off the stadium bonds. Mayor Williams argues that this has no cost to the District because the city would not have any stadium taxes if a stadium were not built. Yet if a stadium were financed privately, all taxes generated at the stadium would flow into DC's general fund and be available to support services across the city. Moreover, the proposed site for the stadium — along South Capitol Street — is part of the Anacostia Waterfront Initiative and has been targeted by the District for substantial development. New development already is occurring within blocks of the site, including in the Navy Yard area. Over the next 30 years, the time it would take to repay the stadium bonds, the site could generate substantial new tax revenues to the District even without the attraction of a stadium. Under the proposed financing plan, however, the economic activity at the stadium would provide no benefit to DC's coffers. (It is worth noting that the stadium site probably would not generate any property taxes, either, because it would be exempt.)

In short, using public funds to support construction of a baseball stadium has significant “opportunity costs” in that it diverts substantial resources that could be used to meet a variety of pressing needs, and it would make it more difficult to raise new revenues in the future should that be needed. These opportunity costs are significant given the limited economic benefit a stadium is likely to provide.

## **DC Should Be Able to Get a Baseball Team without Paying Nearly All Stadium Costs**

Major League Baseball operates as a monopoly, which means it alone determines where new teams will be established. This allows the League to identify potential cities and then offer the team to the city proposing the most favorable conditions. One of those conditions typically is a new stadium built with public funds.

Yet it is not clear that the District needs to subsidize nearly all of the stadium's costs to get a team. Baseball officials acknowledge that DC is the prime market for relocating the Expos, since it is the largest and wealthiest community in the U.S. without a team. This suggests that the Expos will be stronger financially in DC than they would be in other cities. As a result, the new team's owners should be able to finance a sizable share of the new stadium's costs while still running a profitable team.

There are numerous communities across the nation in which team owners have agreed to support most of the costs of a new stadium. This includes the SBC stadium in San Francisco built in 2000 and a new stadium being built for the St. Louis Cardinals.<sup>2</sup> The San Francisco Giants remain financially successful despite stadium debt payments because they have high attendance and have aggressively sought corporate support.<sup>3</sup>

If Major League Baseball decides that the Expos should be relocated to the District — a clear sign that the League sees DC as the best market for a team — the District's leaders should be able to use the city's strong market position to negotiate a stadium deal rather than financing a stadium entirely with public funds. Limiting the size of the public contribution to the stadium is in the District's financial interest and would help ensure that District resources are available to meet other needs.

---

<sup>2</sup> Public financing represents five percent of the SBC Stadium's costs and 15 percent of the St. Louis stadium's costs.

<sup>3</sup> This is from a 2004 Forbes Magazine online analysis ([http://www.forbes.com/free\\_forbes/2004/0426/066tab\\_8.html](http://www.forbes.com/free_forbes/2004/0426/066tab_8.html))