LIKE THE TEAMS, CITIES ALSO MUST COMPETE

Kauffman, Gerald . Philadelphia Daily News ; Philadelphia, Pa. [Philadelphia, Pa]09 Jan 2001: 20.

FULL TEXT

Philadelphia's new football stadium will cost about $565 million to build, financed by the team, city and state. The stadium is planned to be ready for play by the fall 2003 season.

The Eagles plan to raise their $310 million portion from seat tickets, luxury boxes, personal seat licenses for up to 29,000 season ticketholders, concession stands, naming rights, parking, TV revenues and a loan from the league.

The city will raise $53 million from a 2 percent tax on rental cars, $90 million from increased taxes the new stadium will generate and $27 million from a source not yet identified. The state has appropriated $85 million, from taxes.

So of the proposed $565 million in costs, $255 million, or 45 percent, will be publicly financed. Governments provide public dollars for professional sports because they produce more social and economic benefits than a typical private business. Like other public "goods," stadiums would not be produced in sufficient supply if the decisions were in private hands, so tax dollars are needed to correct this "market failure" to subsidize stadiums, just as public dollars are used for roads, convention centers, etc.

The most commonly cited economic benefits of public stadium financing are:

Adjacent property values increase, yielding more real estate taxes.

Spending increases from new restaurants and hotels, and other spinoff businesses result in a multiplier effect.

New jobs are created from stadium construction and food and hotel services.

Do these economic benefits exceed the costs? Usually not, because if consumers, whose funds are limited, do not spend the money for football, they will spend it on an alternative activity like golf or restaurants.

Then why publicly subsidize stadiums?

The most commonly cited reasons are the intangible economic or social benefits, a form of psychic income. A commonly cited social benefit is the cost to a city's status or self-esteem should the city lose the team due to lack of stadium financing. So why do most cities use public dollars to finance stadiums?

Perhaps because of an insufficient supply of NFL teams (and stadiums) to meet the public demand. The supply of teams in the National Football League is 31. But due to public demand, the NFL plans to expand to Houston, Los Angeles and another city. So the demand (34) exceeds the supply of stadiums (31) and public dollars must make up for the price increase or the Eagles will move to one of those three cities.

Perhaps when supply of teams in the NFL exceeds public demand (will that be perhaps 35 or 40 stadiums?), cities will no longer have to finance stadiums. Until then, public financing is necessary for the city's self-esteem and national image.

And when you're wearing the green up in the 700 level, image is everything.

Credit: by Gerald Kauffman