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Sports Stadiums Can Be Privately Financed

Almost every major city in Ohio is actively considering proposals for taxpayer-funded sports stadiums. The most ambitious plan may be Cincinnati's: the city council recently passed a resolution authorizing Hamilton County to raise \$540 million to build a new stadium for the Cincinnati Reds and to provide renovations to Riverfront stadium for the Bengals.

At the other end of the state, Cleveland has accepted a \$154 million proposal to renovate Municipal Stadium for the Browns. Cincinnati's plan would be paid for by raising the county sales tax, while Cleveland's stadium would be financed by extending a "temporary" sales tax that funded Jacobs Field and Gund Arena.

Supporters of public funding for professional sports facilities cite their intangible benefits: they enhance a city's image and promote economic growth by raising the quality of life. These arguments have been used to encourage the state government to contribute as much as 15 percent to the construction costs of new stadiums in Ohio, in addition to local government financing.

But, must these stadiums be financed solely by taxpayers? Many new sports stadiums are being built with substantial private funding.

Joe Robbie Stadium, home to the Miami Dolphins, is renowned for being financed almost completely privately. Joe Robbie put up almost \$12 million of his own money and borrowed an additional \$90 million from three banks.

Robbie, however, had some public sector help: Two landowners donated several hundred acres to Dade County for a sports stadium, and the local government built a highway interchange to ease traffic problems in the area. Nevertheless, the bulk of the cost—construction, maintenance, and operation of the facility—was financed privately.

Joe Robbie's project is not unique. Consider the following more recent examples:

- ✓ The Fleet Center, home to the NBA's Boston Celtics, was privately financed except for road improvements, a mass transit station, and service costs.
- ✓ Minneapolis' Target Center, home to the NBA Timberwolves, was originally financed with \$25 million from owners and \$59 million from private banks. The city provided \$20 million for land and infrastructure improvements.
- ✓ The NHL's St. Louis Blues built their facility with a \$30 million investment from the owners and a bank loan for the rest of the facility costs. This city provided the land and paid \$10 million for land clearance.
- ✓ Private philanthropists in Milwaukee built the Bradley Center, which is home to the NBA Bucks, IHL Admirals, and Marquette University's basketball team. They built the arena for \$84 million and then donated it to the state as a gift. The city used \$25.5 million in bonds to demolish some vacant buildings, acquire the land, and provide planning and infrastructure.

What lessons can be learned from these examples?

First, private ownership and financing of sports stadiums is not a thing of the past. Ohio policy makers need to fully explore private alternatives before putting taxpayers' wealth at risk or increasing taxes further.

Second, public investments can be limited to things that cannot be done easily through the private sector—land assembly, some planning, and some road improvements.

Third, sports teams should have a significant financial stake in the stadium. This gives the teams an incentive to fill seats and factor the success of the stadium into their bottom line.

Fourth, privately owned and operated facilities are taxable. This means any new public expenditures that result from the project can be offset by revenues from new taxes.

Ohio citizens and policy makers should be wary of proposals to fund sports facilities solely with public dollars. Public funding of sports stadiums in Ohio is way out of line with trends in other cities and states. Private financial markets will provide funding for the most economically profitable projects. If significant private financing is not available, taxpayers and policy makers should take that as a sign that the sports facility is not a good investment.



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