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# Stadium Feasibility Study: Lessons Learned

15 January 2008  
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Comments:

## Key take-aways

- no benefit from NFL events
  - all profits stay with the 49ers
- “hidden costs” add up:  
the city *loses* \$111 million
- This is the wrong proposal for Santa Clara.  
It places too great a burden:
  - on the city
  - on the community
  - on our future.

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### Comments:

As you can see on the projected profit & loss statement developed by city staff and consultants, \$0 flows to the city via the waterfall distribution. Moreover, the profit & loss statement shows that the costs associated with NFL events **exceed** the revenue to the Stadium Authority associated with these events.

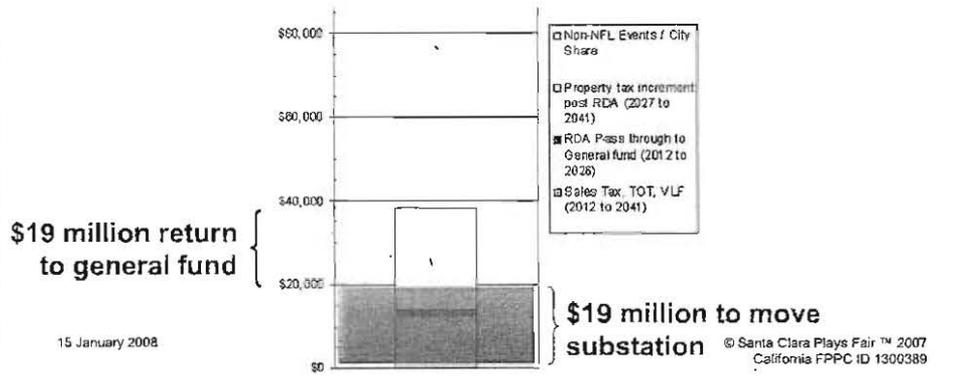
In the 49ers proposal, the Stadium Authority and the city get no cut from ticket sales, and see none of the profits associated with luxury amenities that the city and Stadium Authority are being asked to underwrite.

The profit & loss statement is available at:

<http://santaclaraca.gov/pdf/collateral/49ers-Profit-and-Loss-Projection.pdf>

## Financial analysis: without accounting for all costs

- no benefit to city from NFL events
- non-NFL events help offset NFL costs



Comments:

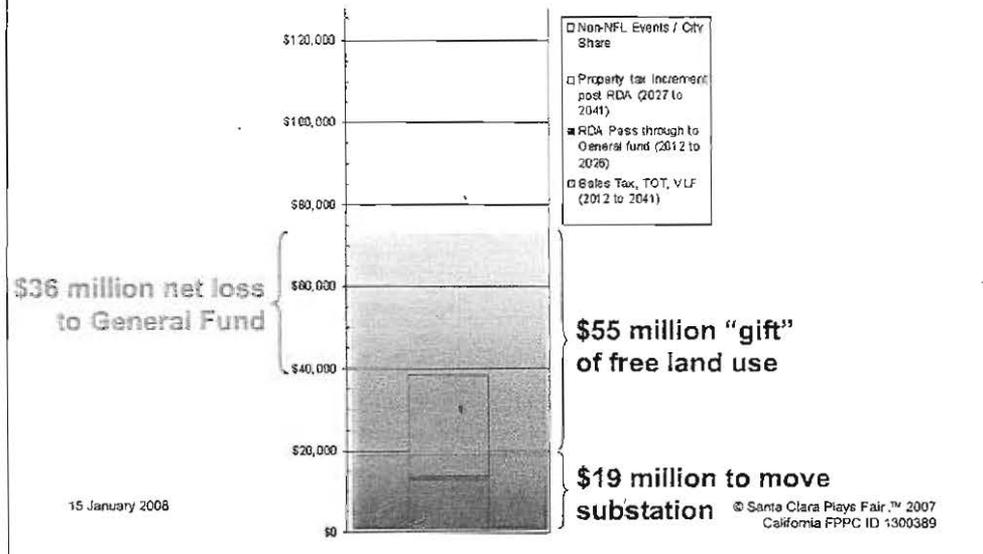
Source: page 26 of City's Financial report at:

<http://santaclaraca.gov/pdf/collateral/49ers-20071218-AgendaReportreStadiumProjectFinancingandProposedAlternateStadiumSite.pdf>

Additional details are available in the projected profit & loss statement at:

<http://santaclaraca.gov/pdf/collateral/49ers-Profit-and-Loss-Projection.pdf>

## Financial analysis: including value of ground lease

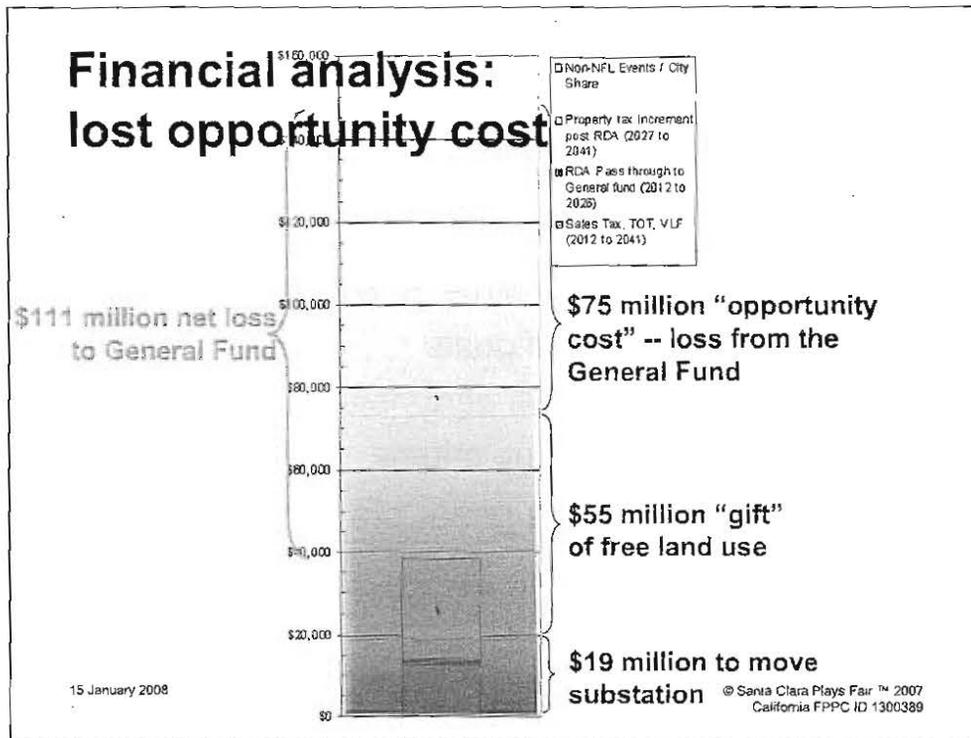


### Comments:

Since the land is considered available for use by the stadium, it could be used by any other business as well. City policy dictates a lease payment should be made for use of city land.

The city's standard lease arrangement for city-owned land is to charge an annual lease of 8% of the market value of the land. A 15 acre parcel of land, valued at \$3 million per acre, is worth \$45 million. Therefore, the city's general fund would receive \$3.6 million the first year and increase by 3% per year for the 30 year life of the stadium. This equates to a net present value (using the city's discount factor of 6% over 30 years) of just under \$55 million that should be paid to the city's general fund.

The 49ers proposal assumes they will not have to make lease payments to the city for use of the land.



**Comments:**

There is a lease arrangement between the RDA and the city, that provides for the RDA to make payments to the city "when and as available." With debt payments on \$65 million in bonds, the RDA will be unable to make any additional payments to the city. Over the life of the RDA, this amounts to \$75 million in lost "opportunity cost" – essentially a hit to the General Fund.

This is discussed on page 14 of the City's final feasibility report *Findings from the Feasibility Study for a Proposed San Francisco 49ers Stadium*, dated 11 January 2008.

## Conclusions

- Santa Clara loses with the 49ers stadium
- We can do better – we **MUST** do better
- Pursue down-to-earth projects with
  - community-oriented goals
  - well-defined financial parameters
  - clear decision-making criteria
- Keep Santa Clara a great place to live!

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Comments:

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Comments:

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# The waterfall model

Au Nguyen  
15 January 2008

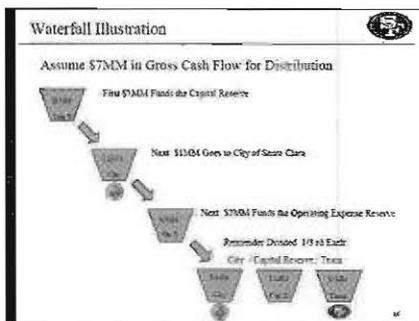
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# The waterfall model

- How revenues are shared
- The 49ers say Santa Clara will be swimming in money
- Santa Clara's independent consultant (KMA) disagrees



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# The waterfall model

Account	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
<b>IV. Waterfall Distribution</b>																		
1. City of Santa Clara																		(1st \$1M)
2. Reserve / 49er Exp Reimbsmt																		(2nd \$2M)
3. Three-way Split																		(over \$3M)
1/3 Capital Reserves																		\$0
1/3 City of Santa Clara																		\$0
1/3 49ers																		\$0
<b>Total to City from Waterfall</b>																		<b>\$0</b>

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# The waterfall model

- What they say we will get



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## The waterfall model

- What we will actually get



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## Conclusion

The City will not make any money from football games!

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# Stadium Feasibility Study: Lessons Learned

Mary Emerson  
15 January 2008

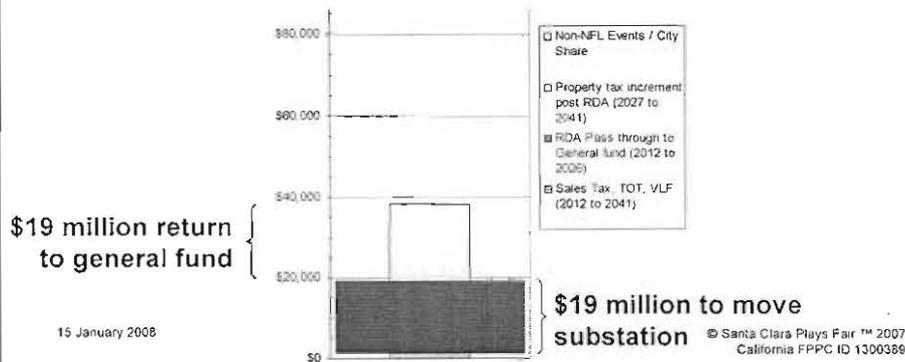
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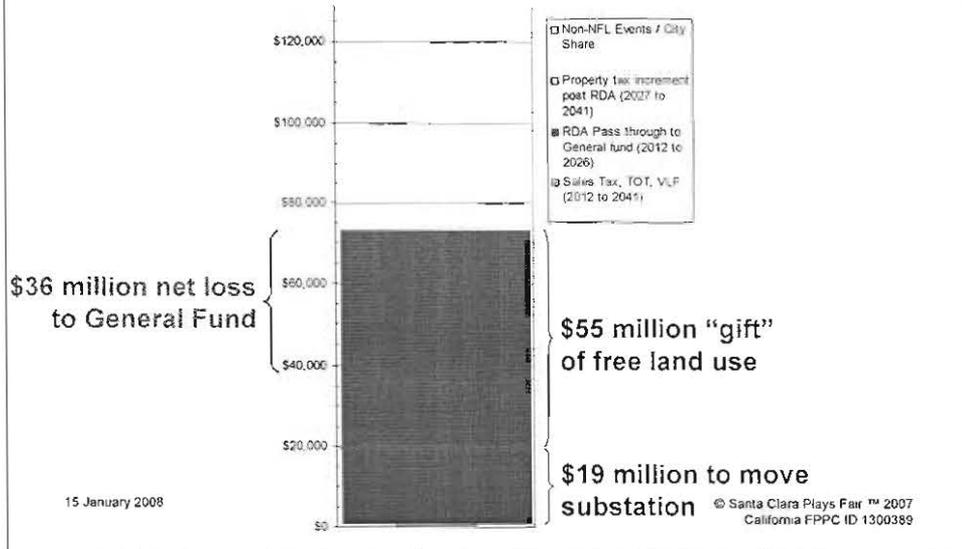
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## Financial analysis: without accounting all costs

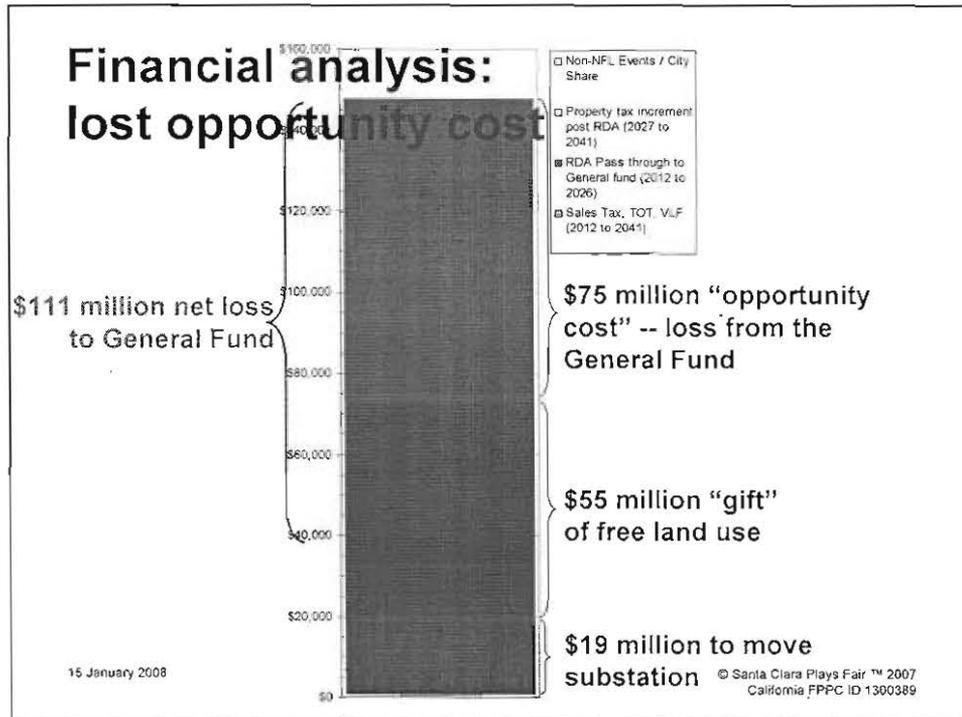
- no benefit to city from NFL events
- non-NFL events help offset NFL costs



## Financial analysis: including value of ground lease



## Financial analysis: lost opportunity cost



## Key take-aways

- This is not the right proposal – it places too great a burden:
  - on the city
  - on the community
  - on our future.
- We can do better – we **MUST** do better
  - community-oriented goals
  - well-defined financial parameters
  - clear decision-making criteria
- Keep Santa Clara a great place to live!

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## Thank you for your time!

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## Santa Clara Global Commons

### Project Description:

Santa Clara Global Commons aims to provide a cultural and enrichment activity space that celebrates the diverse roots of our All American city of Santa Clara. It will have different gates themed to different global regions with the main entrance being the "America Entrance" with open view to the entire complex. Images of great American achievements along this entrance can show the strength and resilience of our culture with its openness and acceptance. It is envisioned as a three story structure similar to shopping malls except it will be open in the center. It can have the following features:

1. **Family Recreation area/park**
2. **Community center with theater**
3. **Art gallery**
4. **Hands on science museum celebrating the Silicon Valley**
5. **Library**
6. **Food Street with emphasis on ethnic foods**
7. **Retail Space**
8. **Grocery store with emphasis on organics and locally grown food**
9. **Cinemas showing movies from around the world**
10. **Free WiFi**
11. **Open space in the center for pedestrian traffic**
12. **Solar Panels**
13. **Using natural light and air by having retractable roof cover with an option of wind turbines**
14. **Thinking Green and using recycled and sustainable materials as building materials**

### Description of Individual Features:

1. Family Recreation area/park:  
The Park can be themed to celebrate the Silicon Valley, with play structures in the shape of computer components. Swing sets can be decorated with transistor shapes. Picnic areas can be named after important players/businesses in the Silicon Valley. This can be a source of generating donations from said businesses. Based on similar projects in other cities the approximate cost of project is 2 million.<sup>1</sup>
2. Community center with theater:  
The center will provide easy access to yet another facility for the people using the Youth soccer field. The center will have a full size gym that can be converted to a theater. It can have a multipurpose room that can be used by all residents for a

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<sup>1</sup> San Jose Redevelopment Agency

nominal fee. A recreation room geared towards the youth, classrooms, and dance rooms will also be part of the community center. Based on similar projects elsewhere the approximate cost is 7 million.<sup>2</sup>

3. Art Gallery:

This can be a venue for local artists to display their arts and crafts. Local organizations, both for-profit and non-profit, can display the services offered by them to the public. Displays showing the past and present of the Silicon Valley can be put up. Ethnic groups can show displays about their culture. National and International museums can be invited to bring their traveling displays to the gallery.

4. Hands on Science Museum:

The museum can be geared towards the computer industry that is the life-blood of our valley. Since it will not be as big as the Tech museum, it will not be in direct competition. It can have two features. One part can be hands-on geared to encourage kids to get a feel for everyday science. The other part can be a state of the art display venue of latest gadgets rented to consumer electronic companies.

5. Library:

The city has already appropriated the funds from the RDA for a library in the North Shore Area. Making the library as part of the Global Commons might make it more easily accessible to a larger population.

6. Food Street with emphasis on ethnic foods:

Food is the most common way Americans show our diverse roots. The whole hearted embracing of world wide cuisine makes restaurants in USA both exciting and sophisticated.

The idea of having a Food street where Mexican cuisine rubs shoulders with Chinese highlights the robustness of our society. People will be able to explore and taste the differences in cuisines even from different regions of the same country without having to leave the Commons.

7. Retail Space:

Rent and the sales tax generated from the retail space is a direct revenue stream to the General Fund. Under the current economic situation of State Budget cuts, this will provide a needed boost to our General Fund.

8. Grocery Store with emphasis on organics and locally grown food:

Promoting locally grown products will support our farmers and organics are a healthy choice for all discerning consumers.

9. Cinemas:

Make a partnership with a local theater operator who will show Hollywood movies, Independent and International Films, including but not limited to

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<sup>2</sup> San Jose Redevelopment Agency

Chinese, Vietnamese, Korean, and European films. Bollywood films from India and films from the Middle-East are sure to draw in crowds as well.

10. Free WiFi:

Free WiFi will be a big incentive for the crowds visiting the Convention Center to step over to The Commons and enjoy lunch while browsing on the internet.

11. Open Space in the center for pedestrians:

The defining feature of the Santa Clara Global Commons will be its synergy with the natural elements. Inspired by the European model of public commons, the customers can sit in the middle of a structure that has all the facilities of a mall but without the closed environment and artificial atmosphere control that are inherent in shopping malls.

12. Solar Panels:

Installing Solar Panels on the roof of the build-up area will help The Commons gain self-sufficiency for its energy needs.

13. Using natural light and air by having retractable roof cover with an option of wind turbines:

Instead of a fixed roof, like a shopping mall, or leaving the center space uncovered to all elements, like European commons, The Santa Clara Global Commons can blend the best of both worlds by having a retractable roof. The roof can be opened to protect the public from the cold rain or the hot sun upon need. Using clerestory glazing to light up the retail shops in the Commons will save on lighting costs.<sup>3</sup> If possible, wind turbines can be added as an option to generate more energy. This will save precious resources that would otherwise be used in artificial weather control.

14. Thinking Green:

Choosing recycled and renewable materials preserves natural resources and leaves a smaller environmental footprint. Construction and maintenance of The Commons can be done in an environmentally conscious manner. Materials with recycled content can be used for construction materials like metal studs, sheetrock, insulation, and acoustic ceiling panels.<sup>4</sup> Bamboo can be used for flooring. Rain water cisterns can catch rain water and the water may be used for toilet use or for landscaping.<sup>5</sup> Locally manufactured building materials will not only reduce the impact of transporting the materials long distances but will also support the local economy.<sup>6</sup>

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<sup>3</sup> NRDC Newsletter

<sup>4</sup> NRDC Newsletter

<sup>5</sup> Sunset magazine November 2007

<sup>6</sup> NRDC Newsletter

# Santa Clara Global Commons

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# Santa Clara Global Commons

## Features

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Testimony of  
Brad R. Humphreys  
Associate Professor  
University of Illinois at Urbana-Champaign

on  
Public Financing for Construction and Operation of Sports Stadiums and Economic Revitalization  
and Development in Urban America

before the  
One Hundred Tenth Congress of the United States  
House of Representatives, Committee on Oversight and Government Reform  
Subcommittee on Domestic Policy

Thursday, March 29<sup>th</sup> 2007

Chairman Waxman, Chairman Kucinich, and other members of the committee: thank you for giving me the opportunity to testify on the issue of public financing for the construction and operation of professional sports stadiums, and the impact of sports stadiums on revitalization and development in American Cities. I am an economist and professor at the University of Illinois at Urbana-Champaign. One of my areas of specialization is the economic impact of professional sports on urban economies.

Local, state, and federal government has historically provided large subsidies for the construction and operation of professional sports facilities in the United States. These subsidies take the form of direct monetary support for land acquisition and physical plant construction, direct monetary support for physical plant operation and maintenance, in-kind donations of land, construction of infrastructure like roads, sewerage, and public transportation facilities, indirect subsidies in the form of special tax treatment for property, operating income, special tax treatment for bonds used to finance facility construction and other subsidies. Since 1990, the total value of the subsidies for construction of sports facilities alone in the United States has been about fifteen billion dollars in inflation adjusted terms. There are currently a large number of proposed new sports facilities in the planning phase around the country. The most common justification for these subsidies is that professional sports facilities and franchises generate significant, tangible economic benefits in the form of higher income, earnings, employment and tax revenues, for the local economy thus contributing to the revitalization of American cities.

*Do Professional Sports Generate Tangible Economic Benefits in American Cities?*

It is often said that economists cannot reach a consensus on matters of economic policy. While this might be accurate in areas like tax policy or international trade policy, it is clearly not the case when assessing the economic impact of professional sports facilities. There currently exists a large body of evidence published in peer-reviewed academic journals concluding that professional sports facilities and franchises have no positive tangible economic impact on income, earnings, employment, and tax revenues in American cities. This literature has examined regular season and postseason sporting events in all of the major North American professional sports leagues, as well as special events like All-star games and the Super Bowl.

The research supporting this consensus examined economic performance in every U.S. city that hosted a professional sports team over the past thirty years. This research uses economic and statistical modeling to explain the overall performance of local economies, in terms of income, employment, and other economic indicators in metropolitan areas. The basic approach assesses how much of the variation in local income and employment, as well as earnings and employment in specific sectors of the local economy like hotels, restaurants and bars, can be explained by variation in sports-related variables as well as by variation in other factors that economic theory predicts help determine the state of the local economy.

Again, the consensus from this substantial, carefully conducted, peer-reviewed body of academic research strongly supports the conclusion that professional sports facilities and franchises do not produce tangible economic benefits in the surrounding local economy. Based on the economic performance in every U.S. city with a professional sports team over the past thirty years, professional sports facilities and franchises were not associated with higher levels of local income; they were not associated with greater employment in any sector of the local economy except the small sector containing sports enterprises; they were not associated with higher tax revenues; they were not associated with faster growth rates of local income or employment. Professional sports facilities and franchises cannot be used to revitalize the economy in American cities. Subsidies for the construction and operation of professional sports facilities cannot be viewed as a viable economic revitalization strategy for our cities. Dozens of papers published in peer-reviewed academic journals support this consensus conclusion.

Some astute observers might question this conclusion. After all, millions of Americans attend professional sporting events each year, and there is clearly a great deal of economic activity going on in and around sports facilities. Bars and restaurants near ballparks, stadiums, and arenas are packed on game day. Parking lots near these facilities are full. Vendors outside and inside the facilities do a brisk business and many facilities operate at or near capacity. Any person attending a sporting event can see this with her own eyes. Clearly, this economic activity must have some affect on the local economy.

And it does, of course. But the economy in an American city is much larger, more varied, and more complex, than a spectator at a sporting event can observe. The economic activity that takes place in and around a modern professional sports venue does not translate into additional new economic activity in cities because most of the spectators are residents of the metropolitan area and all consumers face a limited budget to spend on necessities like food, clothing, and shelter as well as on other factors like entertainment. All household spending, including spending on entertainment like professional sporting events, is constrained by available household income.

Money spent on tickets, parking, and concessions in and around a sports facility represents money not spent on other entertainment activities elsewhere in the metropolitan area. Nearly all the economic activity observed taking place in and around professional sports facilities would have taken place somewhere else in the metropolitan area at some other point in time.

Professional sporting events concentrate economic activity at a specific location at a particular point in time. This fact is easily observable to the casual observer attending a sporting event. But sporting events only concentrate spending, they can not generate new spending. The casual observer taking in a ball game does not observe economic activity that might take place in other parts of the city at other times. And the economic activity that takes place in and around a stadium represents lost

revenues to other entertainment industry businesses located in other parts of metropolitan areas. The casual observer cannot observe the transactions that do not take place because of the presence of a professional sport team, but the existence of household budget constraints strongly implies that this occurs.

Economic research on the impact of professional sport on the local economy does not count attendance at sporting events or survey consumer spending at these events. Economic theory predicts that money spent at a sporting event would alternatively be spent somewhere else in the local economy, at some other point in time, even if the city did not use taxpayer money to build a new sports facility. A substantial body of research carried out over decades supports this prediction.

Clearly, to the extent that a professional sports facility and franchise attracts out of town visitors to a city for the express purpose of attending a sporting event, the local economy will benefit from the spending by these visitors, and this spending will ripple throughout the local economy creating additional economic benefits. But most spectators at professional sporting events are residents of the metropolitan area. From a national perspective there can be no net economic benefit from this spending, because a hundred dollars spent on baseball in Baltimore and a hundred dollars spent on baseball in Washington DC make an identical contribution to the nation's Gross Domestic Product. Why should billions of tax dollars subsidize an activity that reallocates a small amount of consumer spending from one city to another?

#### *Categories of Evidence on Economic Impact and the Importance of the Peer Review Process*

Evidence about the economic impact of professional sports comes from two sources: academic research, and "promotional" economic impact studies sponsored by professional sports teams, leagues, and other entities interested in obtaining government subsidies for professional sports. These two categories of evidence use widely different methodologies, undergo different levels of scrutiny, and reach strikingly different conclusions.

"Promotional" studies, primarily carried out by consultants hired by professional sports teams or their boosters, always conclude that building a new sports facility will add substantial sums to local income, often hundreds of millions of dollars each year, and will create many new jobs in the local economy. Sometimes the forecasted jobs created run into the thousands. Of course, all this additional income and employment is forecasted to substantially raise state and local tax revenues. Academic research on the economic impact of professional sports concludes that new facilities and franchises have either no measurable impact on local income and employment, or in some cases a small but negative impact on the local economy.

"Promotional" studies are economic forecasts. They predict how much local income or employment will rise in the future, after a new facility is built, and perhaps a new team attracted to the city. These studies forecast the number of spectators that will attend games in the new facility, and use multipliers to further estimate the wider impact of spectator's spending on the local economy. In economic jargon, they make use of "input-output" models to predict the total economic impact flowing from a sporting event. Put simply, they apply a multiplier – a scaling factor greater than one – to increase the forecasted direct economic activity associated with a sporting event to a larger number reflecting the forecasted total effect on the entire metropolitan economy. Since "promotional" economic impact studies are forecasts, they have the same inherent

weaknesses as any other economic forecast, like a forecast of the growth rate of GDP over the next five years. But “promotional” economic impact studies always project a high degree of precision. Rather than being stated in terms of a predicted value plus or minus some margin of error, the forecasts in these studies are always a single number, implying a higher degree of precision than other economic forecasts, even though there is no evidence that they are more precise.

Academic research on the economic impact of professional sports is retrospective. Researchers begin with the historic performance of metropolitan economies, in terms of economic indicators like income, earnings, and employment, and use statistical methods to understand why the local economy performed the way that it did. Although this approach is not experimental in nature, there has been a tremendous amount of variation in the professional sports environment in metropolitan areas over the past thirty years which resembles the variation that an experiment might generate. Franchises moved; old facilities were torn down and new ones built; labor disputes resulted in the cancellation of large numbers of games, or even entire seasons in professional sports leagues. Academic research exploits this variation in the sports environment over time to understand the overall economic impact of professional sports on metropolitan economies.

Unlike sports team owners and others with a vested interest in the sports industry, academic researchers do not stand to benefit financially from research on the economic impact of professional sports. The owner of a professional sports team could see the value of his franchise increase by hundreds of millions of dollars if the local government builds him a new facility using public funds. Local businesses near the new facility will see increases in their business. Local media companies may see increases in revenues due to increased interest in the new team in town. Local financial institutions that underwrite the bond issue used to finance construction earn millions in fees. All stand to profit from a new publicly financed sports facility and all are interested in justifying these subsidies on the grounds of the tangible economic benefits created by sport. In contrast, journals that publish academic research on the economic impact of professional sports *charge* researchers submission fees to consider their papers for publication. They do not pay royalties to research who write the papers they publish. A researcher in this area has no personal financial stake in the outcome of the research.

The most important difference between evidence from academic research and evidence from “promotional” economic impact studies is the degree of scrutiny they undergo. “Promotional” studies are typically carried out by consultants. They are released with great fanfare in the local media, and typically get widespread coverage for a brief time. The press releases and sound bites associated with these studies are typically short on details and long on large round numbers. Very few people ever read the entire reports. The vast majority of these “promotional” studies disappear within a few days of their release. The methodology used in “promotional” studies, and the results, are not reviewed or evaluated in any way. I do not know of a single instance where the predicted outcomes from a “promotional” economic impact study have been systematically evaluated for accuracy after a sports facility was completed.

In stark contrast, academic research on the economic impact of professional sport published in scholarly journals goes through a rigorous peer review process. In this process, the papers are distributed to other experts in the field, often stripped of identifying information about authorship, who are asked to anonymously evaluate the quality of the research. Academic economic impact studies judged as flawed or incompetently executed are not published. In some instances flaws judged as serious are removed from the paper or revised to correct the deficiency. The peer-review

process provides important oversight for research in this area, as other experts in the field have examined the methodology, data, and results in detail and found it to be credible.

It is imperative that those who make decisions on sports subsidies understand this important difference in the evidence about the economic impact of professional sports. Results that have been through the peer-review process should be given much more credence by decision makers than “promotional” economic impact studies. We do not make health policy decisions based solely on the claims of pharmaceutical companies, and we should not make decisions on subsidies for professional sports based solely on the claims made by professional sports team owners and others proponents of these subsidies.

The consensus conclusion that emerges from peer reviewed research on the economic impact of professional sports facilities and franchises on the urban economy is clear: professional sports are not an engine of economic growth. The contribution of professional sports to the economic wellbeing of American cities is negligible. Using sports subsidies to revitalize the economy in urban America is not sound economic policy. When cities decide to spend hundreds of millions of dollars of taxpayer’s money to build new sports facilities for billionaire sports team owners and millionaire professional athletes, they are making poor economic policy decisions. This money would be better spent on activities with a higher overall return, like education, public health and safety, or infrastructure.

However, professional sports clearly provide important non-economic benefits to urban America. The presence of a professional sports team is often said to bestow “big league” status on a metropolitan area. The residents of American cities derive a great deal of civic pride and sense of community from the presence of home town professional sports teams. Rooting for the local team provides an important touchstone to the residents of American cities and brings together society in ways that few other civic institutions can. These factors are all important to American cities. To the extent that civic pride, “big league” status, and sense of community are important and valuable to the residents of American cities, the large public subsidies for the construction and operation of professional sports facilities may be justified.

Although professional sports cannot revitalize the economies in American cities, they may be able to revitalize the residents of American cities, and improve the quality of life in urban America. However, valuing “big league” status and professional sports’ contribution to the sense of community in urban America is difficult to value, in monetary terms. The limited amount of existing academic research on valuing the non-monetary benefits generated by professional sports suggests that the value placed on these intangibles by the residents of American cities is not as large as the subsidies, but more research is clearly needed in this area.

Professional sports facilities and franchises may generate one specific type of non-traded economic benefit. Evidence from recent economic research, some of it not yet peer-reviewed, suggests that residential property values may be higher in cities with professional sports teams. If this turns out to be the case – and at this point the evidence is both mixed and preliminary – then some subsidies for the construction and operation of professional sports facilities may be justified on economic ground. However, the overall effect of higher residential property values on social welfare, particularly on the social welfare of lower income groups, is unclear, even if sports facilities can raise property tax revenues.

### *Why Do We Continue to Subsidize Professional Sports Facility Construction and Operation?*

The process of determining how much to subsidize the construction and operation of professional sports facilities involves a complex negotiation between many different groups: team owners, state and local politicians, local businesses, and taxpayers, including team fans. Sometimes the process includes one or more referendums on these subsidies, but the referendum process is not a perfect vehicle for the determination of subsidies.

No matter how they are determined, cities have shown a willingness to provide these subsidies in the past, and continue to provide them today. Why does this continue to happen? Cities may continue to subsidize sports facility construction because the non-pecuniary benefits outweigh the costs in taxpayers' minds. They may continue because proponents of these subsidies are more successful in publicizing the results of their "promotional" economic impact studies than academics are in publicizing their research, leading taxpayers and other decision makers to make ill-informed choices. Local politicians and other elites may derive more private benefits from professional sports than the cost to taxpayers and take action to force them on unwilling taxpayers.

Whatever the reason, it is important to realize that government policies, including government economic policies, have an important impact on the relative amount of influence that each of these groups is able to bring to bear during the negotiation over subsidies for sports facility construction and operation. In particular, the anti-trust protection that this Congress has extended to professional sports leagues provides the owners of professional sports teams with a clear upper hand in these negotiations, and clearly increases the size of the subsidies that professional sports are able to extract from state and local government.

The anti-trust protection extended to professional sports leagues by the Congress allows sports leagues to operate as effective monopolies, or cartels in economic terms. Sports leagues behave exactly like economic theory predicts that cartels will behave: they restrict output in order to earn profits above the level that would prevail if there were competition in the market for professional sports franchises. Restricting the number of franchises means that cities that could support a professional sports team cannot have one. It also implies a loss of social welfare for the residents of cities that want a professional sports team but cannot get one because of leagues' monopoly power. This explains why Los Angeles has been without a National Football League team for over a decade. It also explains why the London, England metropolitan area, with a population of 7.5 million in 2005, can support nine professional soccer teams at the top level, and scores more professional soccer teams at lower levels of competition, while the metropolitan New York area, population 18.7 million in 2005, is home to only nine top-level North American professional sports teams. Professional soccer in the U.K. operates under a promotion and relegation system that allows freedom of entry into the professional sports team market.

American professional sports leagues do not. Professional sports leagues in the U.S. operate as cartels, thanks to the special anti-trust protection provided to these leagues by Congress. The artificial scarcity of professional sports teams generated by this anti-trust protection means that the owner of any professional sports team will always have a viable alternative city to threaten to move to when negotiating for a new publicly financed stadium or arena. The possibility of a team moving to another city provides sports team owners with a huge advantage when negotiating for sports facility construction subsidies, and allows team owners to continue to extract subsidies, even though they are not justified on the basis of tangible economic returns to the taxpayers who provide them.



# County of Santa Clara

Office of the Board of Supervisors

County Government Center, East Wing

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www.supervisoryeager.org



**Ken Yeager**

Supervisor Fourth District

January 15, 2008

Dear Honorable Mayor and City Council of the City of Santa Clara:

I would like to compliment the Santa Clara City Council and the Santa Clara City staff on their careful and thorough effort to study the feasibility of a stadium for the 49ers football team. I am sorry I could not be with you tonight to testify in person.

After reviewing a great deal of the available reports and information, I want to add my full support and endorsement of your staff's conclusion that a new stadium in Santa Clara for the 49ers is feasible.

A multipurpose stadium for football and other uses in Santa Clara will be a boost to the local and regional economy – expert studies clearly demonstrate this. The short-term and long-term jobs created will be a welcome addition to our area's job market – both during construction and once the stadium is built. And the city's fiscal investment package outlined by staff makes use of public funds to invest in the stadium that will not impact the General Fund of the city or create new tax burdens on local residents.

I join with many others in the community and urge the council to approve the feasibility of the stadium and to move forward to make this idea a reality.

Sincerely,

Ken Yeager

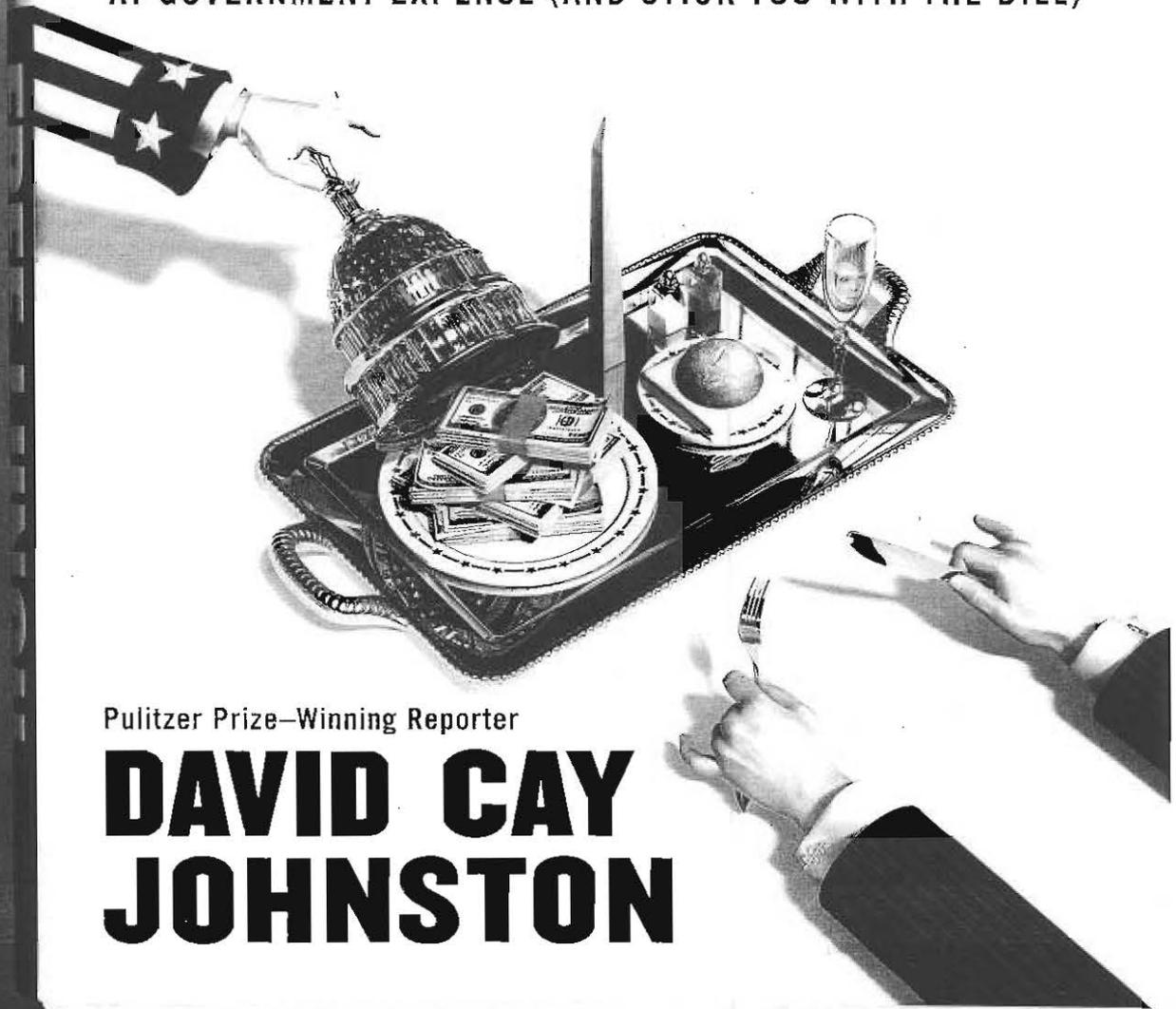
Supervisor, Fourth District



FROM THE AUTHOR OF THE *NEW YORK TIMES* BESTSELLER *PERFECTLY LEGAL*

# FREE LUNCH

HOW THE WEALTHIEST AMERICANS ENRICH THEMSELVES  
AT GOVERNMENT EXPENSE (AND STICK YOU WITH THE BILL)



Pulitzer Prize–Winning Reporter

**DAVID CAY  
JOHNSTON**

John Williams'

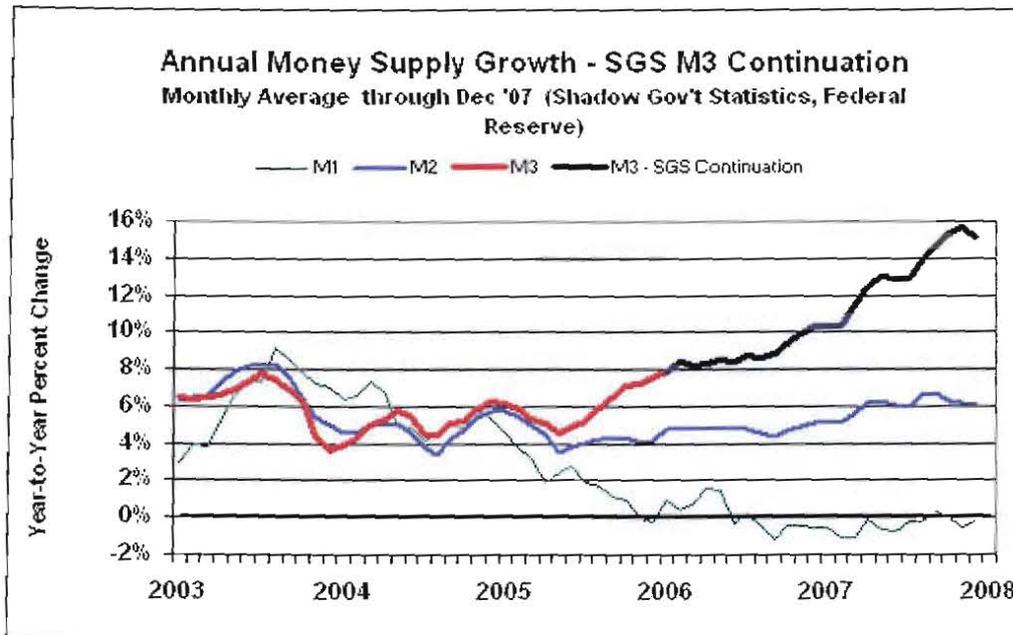
# Shadow Government Statistics

*Analysis Behind and Beyond Government Economic Reporting*

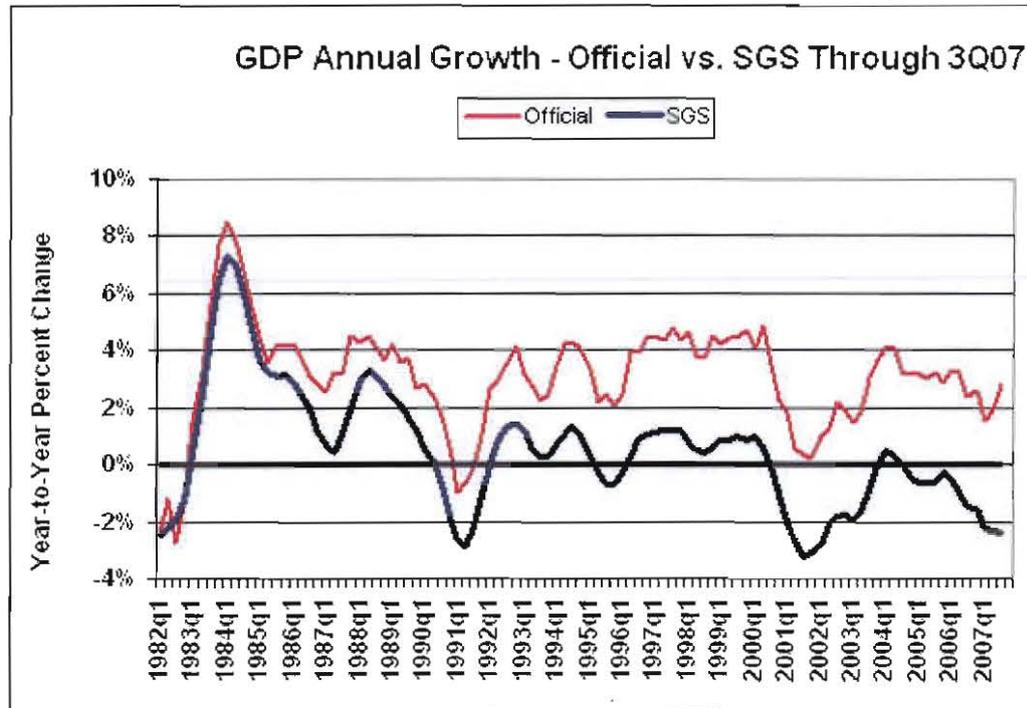
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## Alternate Data Series



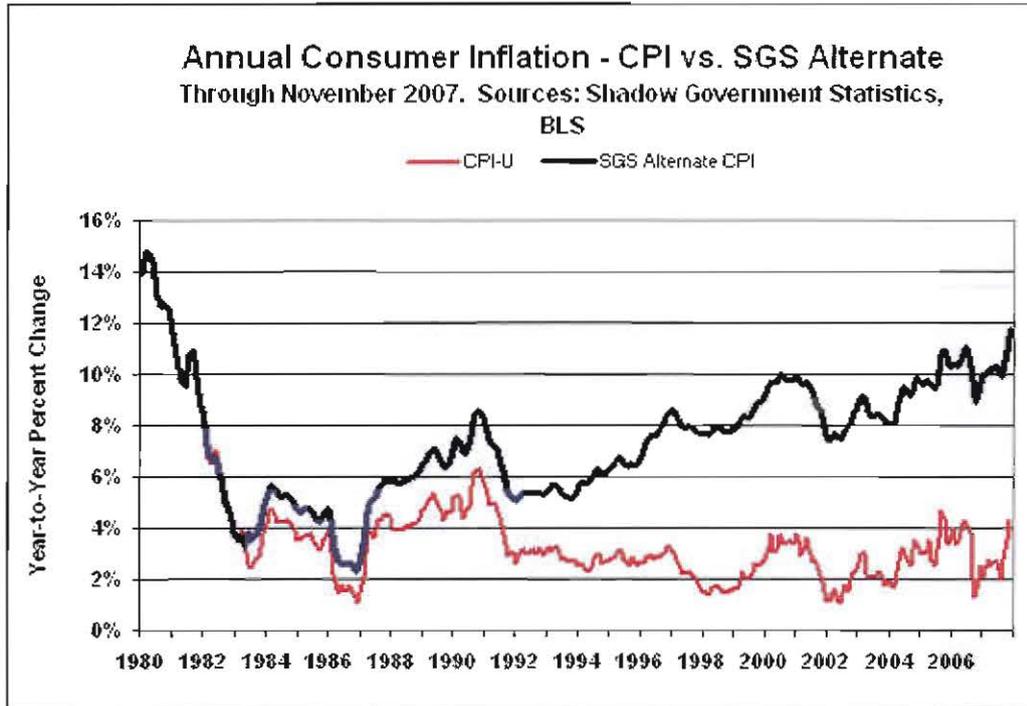
Last Updated: Jan 13, 2008  
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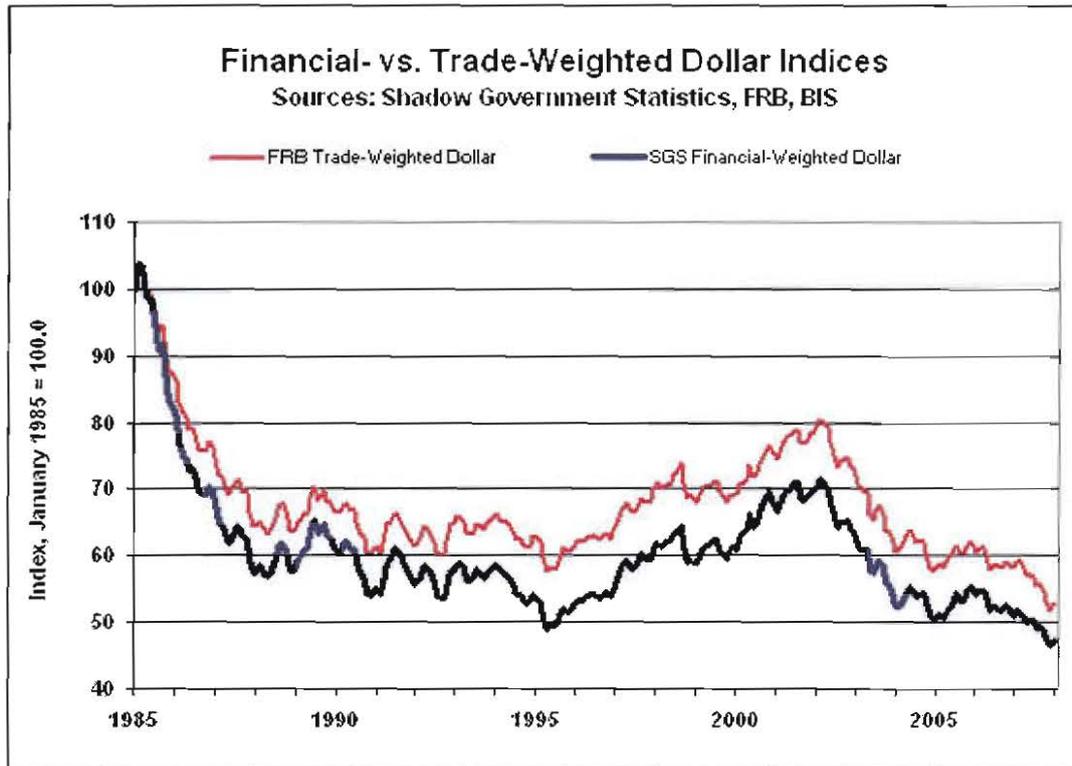
Last Updated: Dec 14, 2007  
[Download CPI data series \(csv format\)](#) (Subscription required.)

Note: The CPI chart on the home page reflects our estimate of inflation for today as if it were calculated the same way it was in 1990. The CPI on the Alternate Data Series tab here,



reflects the CPI as if it were calculated using the methodologies in place in 1980. Further background on the Alternate CPI and Ongoing M3 series is available in the Archives in the [August 2006 SGS newsletter](#).

Last Updated: Dec 31, 2007  
[Download U.S. Dollar data series](#)



(csv format)  (Subscription required.)

1

**John Heagerty**

---

**From:** Jeff Porto [jeff@getcatapult.com]  
**Sent:** Tuesday, January 15, 2008 4:05 PM  
**To:** John Heagerty  
**Importance:** High  
**Attachments:** Fiscalini letter.doc

Here you go John. Thank you. See you at the meeting.-Jeff

January 15, 2008

Dear Mayor and Council,

As a former San Jose vice mayor, I applaud how deliberate and thoughtful you have been as you analyze the San Francisco 49ers proposal for a stadium in Santa Clara. Further, I'm impressed that your city staff has identified ways to make a public investment in the stadium without resorting to the general fund or new taxes.

This is an important project for the city of Santa Clara and the region – one that will yield major economic benefits to many of our cities. The location is near ideal with terrific access to the proposed site and little impact on neighborhoods.

As a former school superintendent, I am also grateful to know that Santa Clara Unified School District will see a major financial benefit from a new stadium because of your redevelopment agency's "pass through" payments. As we read about the state budget difficulties and the discussion of draconian cuts to the education budget, I'm encouraged that a major local redevelopment project could benefit local schools in a substantial way.

I urge you to continue the process tonight as you vote on the recommendation city staff has made to enter negotiations with the 49ers. We seized the opportunity twenty years ago to build the Arena in San Jose. We know the facility's benefits, both tangible and intangible, and have not regretted the decision one bit. You can repeat a similar success in Santa Clara.

Sincerely,

Frank Fiscalini

## Another view

*City of Santa Clara should play ball with the 49ers on stadium project*By Donald Von Raesfeld, Gary Gillmor  
and Larry Marsalli

Santa Clara has been building for its future since the Soviet Union launched Sputnik, igniting the space race that spawned Silicon Valley. For the past half-century, the city's elected leaders made decisions that envisioned Santa Clara as a vibrant community with a quality of life unlike anywhere else in the Bay Area.

Now, Santa Clara has the opportunity to take a great stride to fulfill that vision — an NFL stadium. It would be the perfect culmination of what we have been working so hard to create.

How modern Santa Clara came to be may help people understand why we and several other former council members and mayors are so enthusiastic about the stadium project.

In the late 1950s, Santa Clara was a combination of residential and agricultural land. As the population began to rise, some developers looked at the city's open land and proposed building single-family homes. But city leaders knew such development would create an imbalance in the tax base, and the city wouldn't be able to afford city services, including schools, needed by those homes.

So we made a controversial decision, one that drew substantial opposition, to use that land instead for in-

dustrial and research and development, to provide jobs and a long-term, substantial tax base for the city's residents. Today, that decision has proved correct.

Later, Santa Clara's municipal electric utility came under buyout pressure from PG&E. Again, city leaders made a controversial decision to invest in hydroelectric power and land for future power generation. As a result, we're one of the greenest cit-

Investing in an NFL stadium is consistent with Santa Clara's vision and will also provide a long-term return for the city.

ies around with our use of wind, geothermal and hydropower.

When the city loaned the state the funds to construct the interchange at Highway 101 and Great America Parkway, there was no direct "return." The access provided by the interchange, however, was a practical opening up of that land to jobs, economic activity and taxes for the city — an outstanding return.

Creating the redevelopment agency helped us ensure Great America wasn't converted into office buildings, but remained a designated entertainment zone with a theme park, a convention center, a golf course, soccer fields — and, now, the potential for an NFL stadium.

As city leaders, we were not focused on the direct economic return when we evaluated RDA investments — that narrow measurement would

have prevented many of our RDA investments and been a huge disservice to the future of Santa Clara.

Instead, with an eye on the long term, we used creative financing and took some risks to stimulate public and private development that has today resulted in billions of dollars worth of value and made Santa Clara the envy of Silicon Valley, with police, fire, schools and parks second to none.

A city investment in an NFL stadium is consistent with Santa Clara's vision and will provide an incredible long-term return for the city.

The direct economic impact of the stadium and the 49ers operations could represent some \$1.7 billion over 30 years. Add thousands of jobs, helping businesses large and small as well as residents. Millions in tax dollars will flow to the city's coffers, helping to keep those top-notch city services running. And the city will become the owner of a valuable stadium that can host profitable events.

And there are the intangibles of having the most popular sport in the nation playing in our city. Our city will become a destination and a regular sight on national television. People from all over the country will come to Santa Clara to attend events and see the kind of city that its leaders and citizens have created. Major local businesses will see this as a great amenity to help recruit and retain professionals to live and work in our community.

This can all be done without new taxes on citizens, without tapping the general fund and without increasing utility rates.

**DONALD VON RAESFELD** is a former Santa Clara city manager, mayor pro tem and city councilman. **GARY GILLMOR** and **LARRY MARSALLI** are former Santa Clara mayor pro tems and city councilmen. They wrote this article for the Mercury News.

VS.

City of Santa Clara Benefits (2007 dollars)	Stadium	Retail/ Entertainment Use on Stadium Site	Previous "Highest and Best Use" Comparison: Class A Office on Stadium Site
Building Area	Stadium	150,000 SF	650,000 SF
Economic Activity	\$41 M	\$56 M	\$360 M
Employment (FT)	515	710	2,340
Personal Earnings	\$17 M	\$23 M	\$160 M

Including direct, indirect, and induced benefits except for the "highest and best use" comparison based on direct benefits only. Stadium benefits were separated from training facility benefits per KMA memo dated June 1, 2007. See Exhibit 7.

Direct benefits include the gross revenues, employment and payroll of the business. Indirect impacts are associated with businesses down the supply chain from the business experiencing the direct impact. Office tenants, as an example, might also employ contracted services like accounting and legal or other suppliers. Induced benefits are the household expenditure impacts of direct and indirect employees, when the employees and contracted service support employees spend their earnings in the local economy.

Economic benefits generated by a retail / entertainment project on the stadium site are approximately 35% to 40% greater than the stadium and are 15% to 30% of the office alternative due to factors including lower development intensity and lower average economic activity and earnings per employee with retail in comparison to office.

The alternatives are assumed to be constructed on the same 15 acres as the proposed stadium. As with the stadium, it is anticipated that the contemplated parking garage would be required with both alternatives in order to provide replacement parking for Cedar Fair. Parking for the uses is assumed to be on-site. Unlike the stadium, public infrastructure costs beyond replacement parking are anticipated to be minimal with the alternatives. Both alternatives would be anticipated to pay ground rent to the City in consideration for a long term lease of the site consistent with City practice.

Benefits associated with the retail / entertainment use were estimated using a similar methodology and the same IMPLAN (a proprietary econometric model) multipliers as applied by CS&L for the visitor retail spending component of their analysis. For the office building, applicable IMPLAN multipliers were not provided by CS&L, so direct benefits were estimated using a rough but conservative alternative approach. Direct employment was estimated based on employment densities typical of office buildings. Estimated office employment has been converted to full time for comparison purposes (from full and part time as previously presented) using the same 90% full time equivalent factor recommended by CS&L. Personal earnings were estimated based on an assumed average annual compensation. Economic activity was estimated based on ratio of payroll to gross receipts derived from the 2002 Economic Census.

Compensation of employment generated by the stadium and retail / entertainment uses is estimated at \$33,000 and \$32,000 per year respectively (average annualized full time compensation). Amounts were computed from projected personal earnings and the number of full time employees. For the office project,

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**RECEIVED**

January 15, 2008

**JAN 15 2008**

The Santa Clara City Council

City Clerk's Office  
City of Santa Clara

RE: SF 49rs Stadium Vote

I will be extremely disappointed and will find you all civically irresponsible if you do not take into consideration ALL of the citizens of Santa Clara by allowing them the opportunity to vote on this important fiscal issue and placing it on a ballot.

If you go ahead and proceed with your intent based upon your power to have the San Francisco Forty Niners to come to our city, turn it upside down financially for years to come and change the climate and nature of our fine town without letting the city, as a whole, participate in the decision making process, I shall forever hold all of you in contempt of your offices.

Furthermore, if any of you who decide to vote and bypass the democratic process (I can only imagine for your own financial gain working for the 49rs in some capacity in the near future) I will make sure to always make note of where you are planning to go, so I can avoid fallout from other selfish and obviously biased decisions in other cities & arenas.

Sincerely,



R. M. Bey-McCurdy  
2355 Cimarron Drive  
Santa Clara, CA 95051  
rozane@nickandrozane.com