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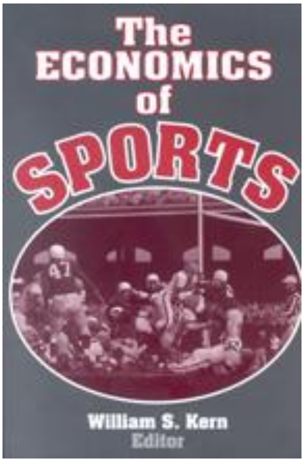


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# 2
# The Impact of Sports Teams and Facilities on Neighborhood Economies: What is the Score?

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## INTRODUCTION

Among the noteworthy twentieth century trends identified for the United States has been the movement of people and economic activity from urban centers to the suburbs. Business has followed the migration of its labor force, and as a consequence most American city centers have deteriorated economically and socially in the latter years of this century. This urban economic malaise was further exacerbated in the 1980s by President Ronald Reagan's vision of a nation less dependent on a federal government. One manifestation of Reagan's emphasis on greater state autonomy was reduced federal revenue sharing. A less generous federal government translated into more parsimonious state governments, and, following the dollar food chain, less financial support for local governments. The erosion of the urban economic base compelled new economic strategies for cities, and mayors have responded by devising policies that emphasize the urban core as a cultural destination. Mayors hope that their cultural entrepreneurship will reverse the decades-old flow of people and money from city centers and serve to reestablish them as the hubs of American life. One aspect of this strategy has been the aggressive attempt by the mayors of many large cities to relocate professional sports stadiums from the suburbs to the central business districts (CBDs). The purpose of this study is to use the city of Seattle as a case study through which to analyze the prospects for improving economic performance in city centers by relocating stadiums used for professional sports to the CBD.

In addressing this issue, it is important to establish first the incidence of stadium migration from the suburbs back to the city center and to discuss the reasons for this development. In the next section of this study, the hypothesized microeconomic impact is contrasted with the macroeconomic or metropolitan impact. Scholars have studied the macroeconomic impact sufficiently so that reliable evidence is available on the influence professional sports have exerted on metropolitan areas. There are reasons, however, to expect that in terms of both magnitude and pattern, economic development at the local level may differ from that characterizing the metropolis. The next portion of the paper is devoted to discussing Seattle's use as a representative sample for exploring the likely economic impact of CBD relocation. Essential to this task is a brief discussion of Seattle's recent stadium history from the construction of the Kingdome to the present. The economic effect the Kingdome has had on the Pioneer Square Neighborhood, that portion of Seattle that borders the Kingdome on the West and North, is portrayed in the paper's next section. Critical to this analysis is a business survey largely conducted at the end of June 1998. Conclusions and policy implications are offered in the paper's final part.

## STADIUM MIGRATION—BACK TO THE FUTURE

Earlier in the 20th century, stadiums were woven into dense urban fabrics. Rather than the stadium defining and shaping an area, the stadium was viewed as subordinate to a larger urban design and function. The existing city grid established the shape and location of many urban ballparks lending an idiosyncratic character to many of them. For example the Baker Bowl, home to the Major League Baseball's Philadelphia Phillies until 1938, was also known as "Hump" because it was built on an elevated piece of ground to accommodate a railroad tunnel running under centerfield (Lowry 1992). Today only Fenway Park in Boston (1912) with its legendary "Green Monster" and Wrigley Field in Chicago (1914) stand as representative monuments to past urban imperatives. Tiger Stadium in Detroit (1912) was recently replaced by a new ballpark, and discussions are under way to replace both Fenway Park and Wrigley Field.

In the post–World War II era, a rapidly expanding economy increased the personal incomes of most Americans to a point where former luxuries such as automobiles and houses outside crowded cities could be purchased by a majority of the population. As areas on the city's periphery were settled, businesses followed in part to capitalize on emerging markets for consumer goods and to gain proximity to the labor force. In keeping with this suburban trend, stadiums followed the fans. Expressways were built to accommodate the automobile, and suburban stadiums were located in close proximity to expressways to facilitate fan travel to the ballpark. Automobiles required space, and the typical suburban ballpark was surrounded by a sea of asphalt. The homes of most fans in the post–World War II era were connected to the ballpark by a seamless stream of concrete.

Accommodating the automobile came at a price from the perspective of the neighborhood in which the stadium was located. Easing entry and egress to the stadium mitigated the spillover of pedestrian traffic and economic activity into the environs where the ballpark was located. On the way from the stadium to their automobiles, fans encountered car windows not store windows. Once in their cars, the strong current of the expressways did not allow easy contact with commercial entities along the way. Any commerce that did occur in conjunction with sports spectating likely did so within the confines of the ballpark unless excursions into the neighborhood or elsewhere were planned.

Professional sports has been undergoing an economic revolution inspired by a confluence of circumstances both inside and outside the professional sports industry. These changes have affected both the supply and demand for professional sports, which, in turn, have had implications for where and how professional sporting events are packaged and presented. Nowhere are these changes more apparent than in the design and location of stadiums and arenas. Financial imperatives have worked to all but eliminate the multipurpose, circular stadium (the "ashtrays") built a few decades ago in cities such as Cincinnati, Pittsburgh, and Philadelphia to host both football and baseball. In addition, financial forces have reversed the trend toward locating ballparks in suburban areas with vast tracts of land suitable for inexpensive parking. Stadiums and arenas are coming back to the cities with promises of fan spending spilling over into the commercial corridors of the neighborhoods through which fans flow to reach transportation centers or remote parking lots.

Cities have used this promise of increased economic activity to persuade citizens to lend financial support to an aggressive city strategy to remake their centers into cultural destinations. For example, to lure people back to the downtown, Cleveland has developed the Gateway complex, which serves as a home to the Major League Baseball (MLB) Indians (Jacobs Field) and the National Basketball Association (NBA) Cavaliers (Gund Arena) along with the Rock and Roll Hall of Fame. Atlanta, Baltimore, Indianapolis, Minneapolis, and Nashville, to name but a few, are other cities that have opted for placing stadiums in or near the central business district (CBD) in an effort to help revitalize them. Stadium construction in the National Football League (NFL) symbolizes the return to downtown or near downtown locations. Barring unforeseen construction delays, 13 new stadiums will have been built in the 1990s. Of those, only facilities in Jacksonville (the renovation was of a scope sufficient to warrant it new), San Francisco, Tampa Bay, and Maryland (Washington Redskins) are located outside of what could be considered the CBD or CBD fringe. Approximately 60 percent of the NFL stadiums were located in or near CBDs prior to the 1990s, or about 16 percent less than characterize current construction trends. If the events conducted at the stadiums attract people from beyond the metropolitan areas in which they are located, then those who support public subsidies for these facilities promise that metropolitan, state, and regional economies will benefit from such investments. Do metropolitan economies derive a boost from professional sports and their stadiums? If they do, then surely the neighborhood in which the stadium is located is the recipient of those benefits. In the next portion of the paper, an assessment of the benefits accruing to the metropolis from professional sports teams and stadiums is analyzed.

## TEAMS, STADIUMS, AND METROPOLITAN ECONOMIC IMPACT

The experience of a cross-section of cities across the United States over the past few decades strongly disputes the claim that professional sports teams and stadiums provide an economic boost for metropolises. Baade (1996) found no correlation between the real growth differential in real per capita personal income for a city experiencing some change in its professional sports industry and cities experiencing no such change or having no professional sports presence. Baade's analysis included all cities hosting a team in one of the four major professional sports (baseball, basketball, football, and hockey), and covered more than three decades of observations beginning in 1958. All else equal, one would expect a professional sports host city to expand economically if sports does attract more than local interest and dollars. The fact that evidence fails to support such a contention requires an explanation and several come immediately to mind.

First, the professional sports team may simply be too small to influence in any meaningful way a large, diverse metropolitan economy. For example, in litigation regarding the constitutionality of using several hundred million dollars of public funds for subsidizing a new stadium for the NFL's Tampa Bay Buccaneers to replace a 20-year-old facility, the author testified as an expert representing those opposed to public subventions that the team's revenues ranked below more than 70 other enterprises in that city. In using an academic context to provide perspective, Noll and Zimbalist (1997, p. 57) observed that the top ten universities in the United States received $2.8 billion in federal grant money in 1994, which was more than the combined revenue of the NFL and National Hockey League (NHL) or the combined revenue of MLB and the NBA for that year.

Second, and perhaps more important, consonant with elementary budget constraints, spending on professional sports spectating substitutes for time and money that could be spent on other goods or services. To the extent that the fan base is largely indigenous to the metropolitan area, net spending in the metropolitan area may increase, decrease, or stay constant even though gross spending on sports increases significantly. The distinction between gross and net spending changes is pivotal in precisely estimating the impact of professional sports. Some economic impact studies supporting stadium subsidies use a gross measure of spending that occurs in conjunction with professional sports. They then purport to capture the indirect impact through "multiplier analysis."[1] A measure of net spending changes, of course, requires substantially more data or more sophisticated modeling and accounts in part for the use of estimates of gross spending to defend stadium subsidies. Given the paucity of data and the complex web of financial inflows and outflows that occur as a consequence of hosting a professional sports team, a reasonable estimate of the team's economic contribution likely can be rendered only through comparing the metropolitan economic landscape before and after the team or stadium. This after-the-fact audit in estimating the economic impact of professional sports has been favored by some economists (Noll and Zimbalist 1997; Baade and Sanderson 1997; Hamilton and Kahn 1997; Austrian and Rosentraub 1997).

Estimates on gross and net new spending differ substantially. For example, in a report estimating the economic impact of the Seattle Mariners on the city of Seattle, King County, and the state of Washington prepared by Dick Conway & Associates for King County in 1994, net direct spending as a percentage of gross direct spending was identified as 44.3 percent for the city and county ($40.4 million/$114.0 million for both the city and the state) and 32 percent ($29.1 million/ $114.0) for the state (Conway and Byers 1994). The difference between gross and net total direct economic impact are more pronounced because multipliers will compound differences in gross and net measures of direct economic impacts. Total net economic impact as a percentage of total gross economic impact as calculated by Conway & Associates was 23.9 percent ($42.9 million/$179.7 million), 38.5 percent ($53.3 million/$138.8 million), and 40.1 percent ($47.7 million/$119.1 million) for the state, county, and city, respectively.

In relative terms, gross economic impact is likely to be most pronounced in the neighborhood in which the stadium is located. In measuring the impact professional sports has on economies, a circle could be drawn from the point where the event actually occurs, and it could be argued reasonably that the magnitude of the impact, in relative terms at least, varies inversely with the size of the circle. Stated somewhat differently, the economic effect is thought to be most pronounced at "ground-zero," the exact location of the event. As the circumference of the circle expands, the net impact diminishes as the dollars spent on the sporting event are more completely offset by reduced spending elsewhere. Following this budgetary logic as it relates to leisure spending, the global impact of even the largest sporting events such as the Summer Olympics approximates zero if an increase in global net spending is not induced by the event itself. This is true because even those who come from great distances spend time and money at the Olympics in lieu of time and money they would have spent elsewhere. The impact locally, therefore, depends on the extent to which spending and respending occurs by those residing outside the environs where the event is held, or by local citizens who spend money on the sports event as opposed to spending discretionary income outside their neighborhood. Theoretically, a local government might decide to subsidize sports if the audience is distinctly nonlocal. In the case of Seattle, Pioneer Square (the neighborhood in which the Kingdome is located) might be given an economic boost if those who view the professional sports events hosted by the stadium are either living outside the community or are residents who would spend discretionary dollars outside Pioneer Square. Within the neighborhood, there are outflows associated with team and stadium activities, and so even at the local level, professional sports might fail to provide much of an economic boost. Later in this chapter, I assess the economic impact the Kingdome has had on Pioneer Square. First, however, it is appropriate to identify why Seattle is worthy of study.

## WHY SEATTLE?

Seattle typifies the contemporary economic relationship that U.S. cities hosting major league sports have with their teams, particularly as it relates to stadiums. In less than two decades after its construction, owners of the NFL Seahawks and the MLB Mariners declared the Kingdome economically obsolete. In their opinion, the Kingdome could not compete financially with the new breed of stadiums being built across the country. In citing a general shortcoming of multipurpose stadiums, the Kingdome's critics argued that it failed to provide an environment that encouraged fans to return because it compromised sight lines for individual sports and otherwise reduced the ambiance associated with single-sport structures, e.g., Wrigley Field in Chicago.

Most important, however, was the relative paucity of luxury seating and other revenue-generating amenities that the owners argued placed their teams at a distinct financial disadvantage. Failure to compete financially limited their ability to compete for free-agent talent and all but assured mediocrity on the playing field, which would further erode the team's financial standing. Echoing this well-rehearsed line, the owners contended that Seattle's parsimony gave them no choice but to consider the offers of other suitor cities throughout the United States. The price to Washingtonians to keep the teams would be steep: separate stadiums for the Seahawks and Mariners outfitted with state-of-the-art amenities, including a retractable dome for the Mariners' facility. Even though a majority of the citizens of Seattle voted "no" in a referendum to build a stadium for the Mariners, new stadiums are now under construction for the Mariners and Seahawks. The cost for both facilities will likely eclipse $700 million.

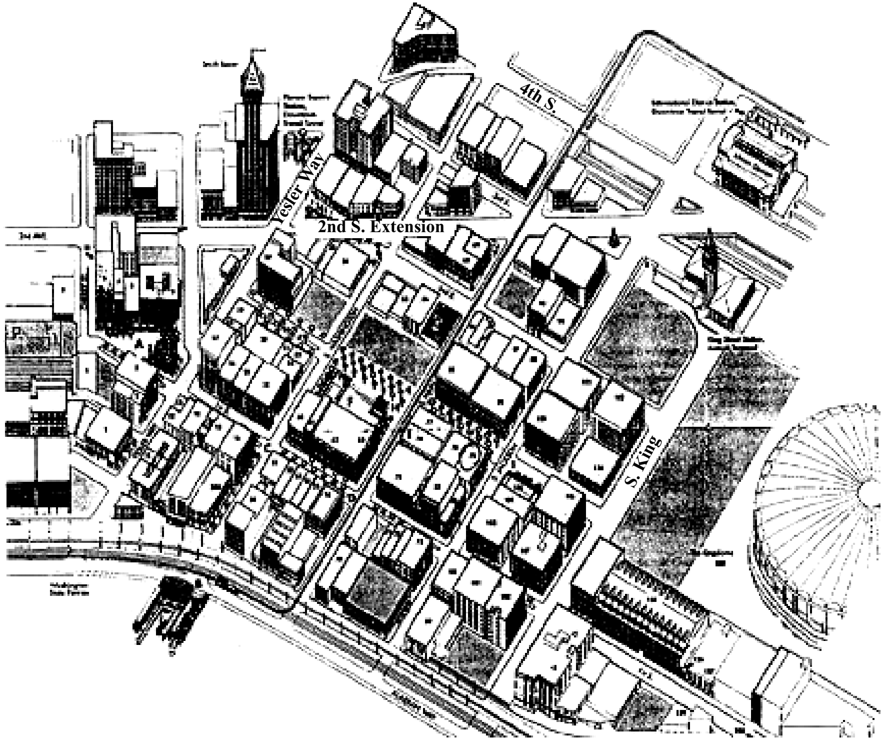
The apparatus of persuasion employed in trying to convince the people of Seattle that this was not an egregious example of corporate welfare included the claim that the stadiums should be considered investments. As such, boosters noted that the facilities did not force painful civic tradeoffs such as financial neglect of schools, streets, and sewers but would instead generate a stream of revenues that could be invested in many forms of public infrastructure. Owners, players, and fans would not be the only winners, apologists for the stadiums claimed, citizens of the metropolis and state would benefit as well. The economic impact studies commissioned by new stadium proponents typically identify thousands of new jobs, more than $100 million of economic impact, and substantial increases in tax revenues at all levels of government as the outcome of spending on a professional sports team (Conway and Byers 1994). In opposition to these data, and as noted in the previous section, other scholarly studies have debunked the myth of sports serving as significant catalysts for metropolitan economic development. However, the claim that substantial local or neighborhood economic development occurs endures. What has been the experience of the neighborhood in which the Kingdome is located? What are the magnitude and pattern of local economic development inspired by the Kingdome, and what will the new stadiums do for the environs in which they are located? The next portion of the paper addresses these questions.

## THE KINGDOME AND LOCAL ECONOMIC IMPACT

The now-razed Kingdome and site for the two new stadiums is bordered on the north and west by Pioneer Square, a neighborhood of historical significance and of a mixed commercial and residential character. Pioneer Square covers a 90-acre area roughly demarcated by Cherry and Marion Streets on the north, 2nd and 3rd Streets on the East, the Alaskan Way and the waterfront on the west, and Royal Brougham Street on the south. Figures 1 and 2 show the location of Pioneer Square, including the Kingdome. Because the stadiums that will replace the Kingdome are under construction just south of it, this map can be used to provide a reference for placing the new stadiums in Seattle.

Pioneer Square exhibits significant diversity with respect to its inhabitants and business enterprises. Missions for the homeless and condominiums for city officials exist within blocks of one another. There are 849 housing units in Pioneer Square and roughly 1,200 full-time residents. This low ratio of residents to housing units is explained in part by the high number of units that are identified as single room occupancy (SROs). In addition to this low income housing, there are 737 shelter beds, but those who occupy them are not considered full-time residents. There are 600 businesses in the business improvement area (BIA) of Pioneer Square. Sports bars and jazz clubs share street space with art galleries and a store that has provided leather goods for more than a century for people who use horses for more than entertainment. Fifteen surface parking lots and six parking garages provide for the parking needs of residents, workers, and visitors to the neighborhood. The skeletal structures of the new stadiums are rising in what used to be the far southern parking lot serving the Kingdome. Prior to the construction of the new stadiums, the Kingdome parking lots provided space for approximately 3,600 cars.[2] The Kingdome seated 66,400 people for football, and even at the conservative ratio of one parking space for every four fans, when the stadium was filled to capacity, 16,600 parking spaces were required. This stadium parking shortfall had substantial implications for the neighborhood. Parking issues will be discussed extensively in the next section of the paper.

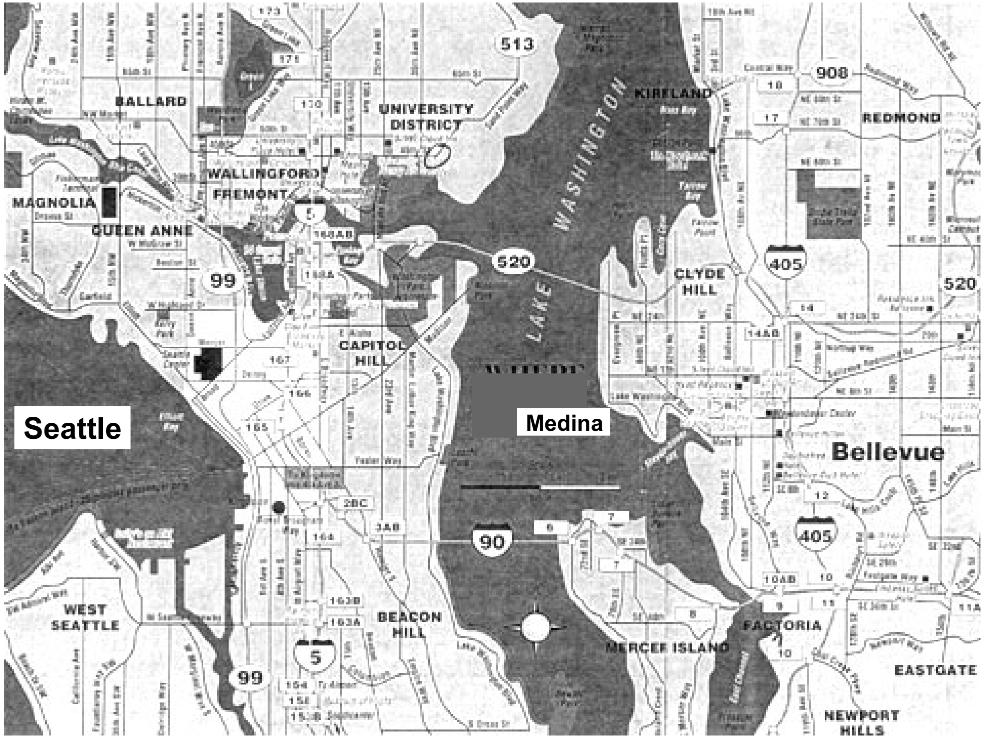
**Figure 1  Pioneer Square Business Improvement Area**




SOURCE: The Pioneer Square Business Improvement Area; used with permission.

**Figure 2  Seattle Neighborhoods**






Map courtesy of *WHERE Seattle* magazine and Northwest Visitors Publications, LLC., 113 First Avenue N., #200, Seattle, WA 98109, est. 2000.

The decision to raze the Kingdome was based in large part on the need to provide parking for the patrons of the new stadiums.

The Kingdome originally cost $69 million. It underwent two renovations in the 1990s. One of the renovations centered on structural problems relating to falling ceiling tiles, and the other concentrated on shoring up a foundation that ostensibly made the facility vulnerable to earthquakes. The cost of these two corrective projects exceeded the $69 million spent to build the Kingdome. The price for the new stadiums has not been determined because cost overruns are already materializing. As mentioned previously, the price for both of them will very likely exceed $700 million. Boosters justify these substantial investments in stadium infrastructure to residents of the Pioneer Square neighborhood, the city of Seattle, King County, and the state of Washington. They note how the substantial amount of economic activity directly and indirectly related to the Kingdome will benefit all Washingtonians. As noted previously, ample empirical evidence negates the notion that these sizeable investments will positively affect the Seattle metropolitan and state of Washington economies. The question remains, however, did the Pioneer Square neighborhood benefit on balance from having the Kingdome in its backyard? And what does the answer imply about the impact of the new stadiums?

Based on the demographic characteristics, Pioneer Square has relatively few full-time residents with the financial wherewithal to buy tickets to professional sporting events. It follows that the sports events hosted by the Kingdome attracted the majority of their fans from outside Pioneer Square. If the spending that occurred in conjunction with sports remained in the Pioneer Square economy, the local financial boost provided by the stadium would have been substantial. The key, of course, is the extent to which the money spent by nonlocal fans was locally retained and spent again and again in the neighborhood. Those who assert that the Kingdome provided a substantial economic boost for Pioneer Square likely focused their attention on the financial inflows only. Casual empiricism supports the assertion that the Kingdome represented a boon to Pioneer Square. On event days, fans streamed into the stadium and the environs and spent large amounts of money. A precise rendering of the economic impact, however, requires not only an accurate measure of the dollars spent on sports spectating and related activities, but a thorough identification of the money outflows that occurred as a consequence of Kingdome events as well. The financial leakages from the neighborhood economy may well have been substantial, and can be broadly categorized as 1) earnings repatriated by owners, players, and other team and stadium personnel to their residences; 2) the costs incurred to operate the stadium to include the opportunity costs; and 3) business losses incurred locally as a consequence of peak usage of local resources on game day. Stated somewhat differently, local business activity may have been crowded out.

The Pioneer Square neighborhood, to be sure, experienced significantly more economic transactions as a consequence of the Kingdome. Assume for the moment that we think of Pioneer Square as a business entity and that we identify the Kingdome as a part of Pioneer Square's stock of capital.[3] From this business, capital stock income flowed when tickets, baseball paraphernalia, and hot dogs were sold. The economic impact, however, was not equal to gross spending changes any more than revenues are equal to business profits. Explicit and implicit costs arose as a consequence of conducting events at the Kingdome, and the economic contribution that the Kingdome made to Pioneer Square was not consonant with gross financial inflows but rather with net financial inflows to the neighborhood. Two facts may well serve to vitiate the economic impact the operation of the Kingdome would at first blush appear to provide. First, the stadium may have served as little more than an economic conduit through which spending on Kingdome events passed from one set of nonresident hands to another. Second, the level and urgency of game day activities may have well strained local resources by crowding out local, normal business activity. If either of these effects were pronounced, the neighborhood in which the stadium was located would have derived far less stimulation than that suggested by the direct spending that occurred within the stadium's walls.

The first point can be illustrated through tracing player salaries. A stadium does not resemble the corner grocery where the owners live above the store. Rather the stadium owners and the stadium employees, who receive most of the event revenues, are in all probability not neighborhood residents. Thus even if fans are not residents and their spending represents an infusion of funds, the boost provided is short lived because the nonresident owners and players appropriate that spending in the form of their profits and wages. Recent developments in professional sports as they relate to stadium construction may well be making the transfer of funds from one group of nonresidents to another more complete. In negotiations with their host cities, teams have more aggressively and thoroughly exploited the advantage imparted by an excess demand for teams. The new breed of stadiums have evolved into small walled cities that more completely compete with and capture the economic activity that used to spill out into the neighborhood. This stadium/mall concept has been encouraged by the leagues to help level the financial playing fields of league members. Furthermore, in their anxiety to attract or retain their teams, cities have been agreeing to more generous leases that allow teams to appropriate virtually all of the revenues from ticket sales, concessions, the sale of sports paraphernalia, parking, stadium advertising, and naming rights. The quid pro quo for these "sweetheart" leases is that the team dedicate one revenue source or another to satisfy public demands for a team "equity" stake in the ballpark project. Teams readily agree because the present value of increased stadium earnings exceeds by a significant amount the present value of the dedicated revenue stream(s).

Owners have argued that stadiums are necessary to satisfy player demands for higher salaries. Suppose for the moment that this owner rationale is true. Today for the NBA and NFL, the two sports leagues that first instituted salary caps, the share of league gross revenues to which players as a group are entitled by agreement is 57.5 and 63 percent of league gross revenues, respectively. It follows, therefore, that significantly more than half of the spending that occurs at the ballpark finds its way into the pockets of players. If players do not live in the community or otherwise do not spend on community goods and services, then more than one-half of the revenue that finds its way into the stadium on game day leaks from the neighborhood. In the case of Seattle, it is a virtual certainty that few, if any, of the Seattle Seahawks' owners and players live in Pioneer Square. In fact, the market for players is national, many of them do not establish their primary residences in the cities in which they play. Players invest their earnings internationally and are taxed nationally, therefore, much of what they earn leaves not only the Pioneer Square economy but the metropolitan economy as well.

The point made through tracing player salaries applies to taxes imposed by nonlocal government. Ignoring for the moment "home rule," how much of the sales tax on sports clothing or excise taxes on game tickets is retained by the local government? Much of it becomes a part of general revenues for the State, County, or City government imposing the tax, and the extent to which it is returned to the local government depends on institutional arrangement. The local governments which provide space for the stadium need to have a hand in shaping revenue sharing to ensure that their costs for providing stadium space are covered. They also must understand the extent to which the stadium and team activities affect general tax revenues at higher the levels of government from which they derive a share. Such an analysis is hardly trivial, but it must be undertaken if the neighborhood is to make wise decisions with regard to the use of its scarce land resource.

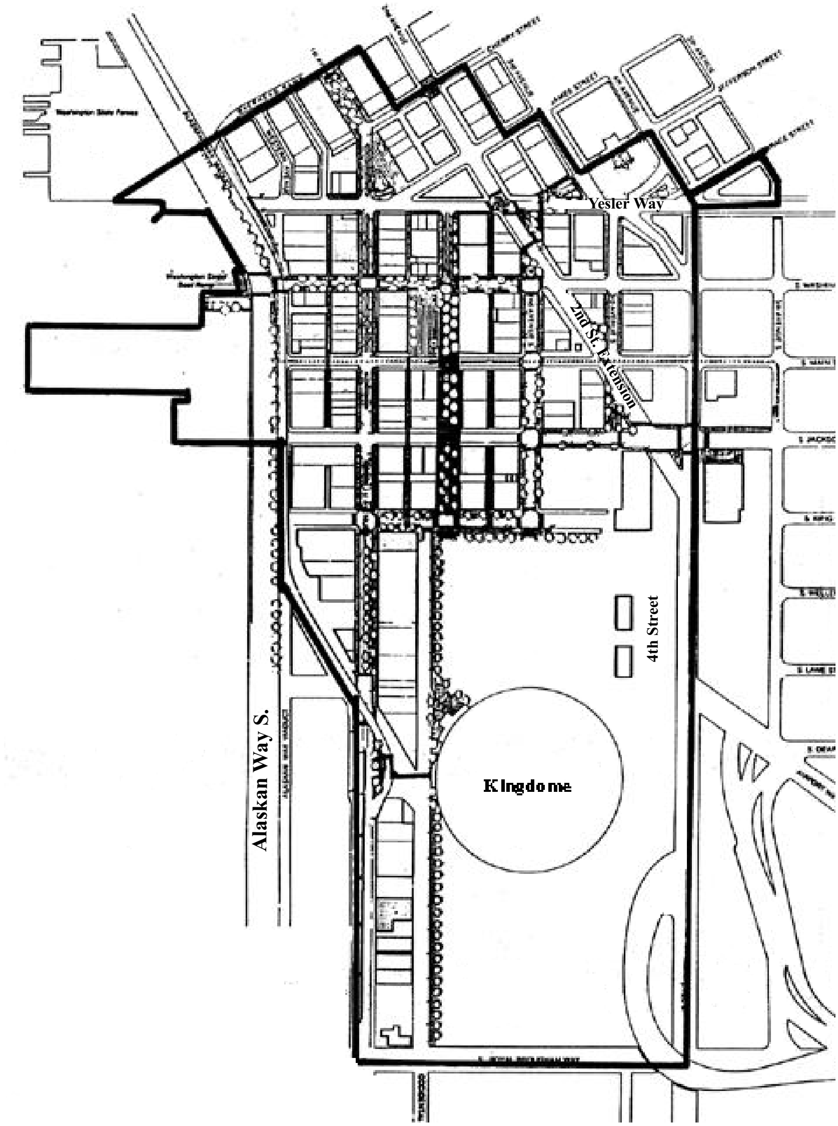
Opportunity and operating costs, as well as the likelihood that stadium activity will "crowd out" local economic activity, depend on the character of the neighborhood economy. Is there a natural synergy between the stadium and neighborhood, or will expenses mount and displacement and inactivity occur on a scale that ensures the cost of hosting the stadium exceeds the expected benefit? Stadiums require large tracts of land not only for structures but also for parking if the stadium site or the institutional character of the metropolis or region makes it accessible primarily by automobile. Stadiums are not like shopping malls where economic activity occurs throughout the course of a day every day. Stadiums, particularly open-air football stadiums, spend more time waiting than working. How the community handles the "dead time" in the stadium and its attendant areas is critical to its ability to use the facility to its economic advantage. Did the Pioneer Square neighborhood and the Kingdome enjoy a synergistic relationship? If not, could the lack of synergy have been anticipated by analyzing the community's economic character? To help establish the fit between the neighborhood and the stadium, a survey was conducted to assess the impact of the Kingdome on local businesses. The survey is appended to the paper, and the results of it are discussed in the next section of the paper.

## SURVEY RESULTS AND IMPLICATIONS

Compared with other districts in Seattle, the Pioneer Square district is more commercially diverse. Although retail businesses are most prevalent within the Business Improvement Area (BIA) of the district, constituting 20.3 percent of all businesses, there are significantly fewer than in other districts such as Broadway and Roosevelt, which exhibit retail percentages of 56 and 54 percent, respectively. Professional services, legal services, and art galleries account for 17.6, 13.1, and 9.2 percent, respectively, of all businesses within the Pioneer Square BIA (krs services, inc. 1998). Figures 3 and 4 define the Pioneer Square urban village footprint and the Pioneer Square BIA boundaries, respectively (krs services, inc. 1998).

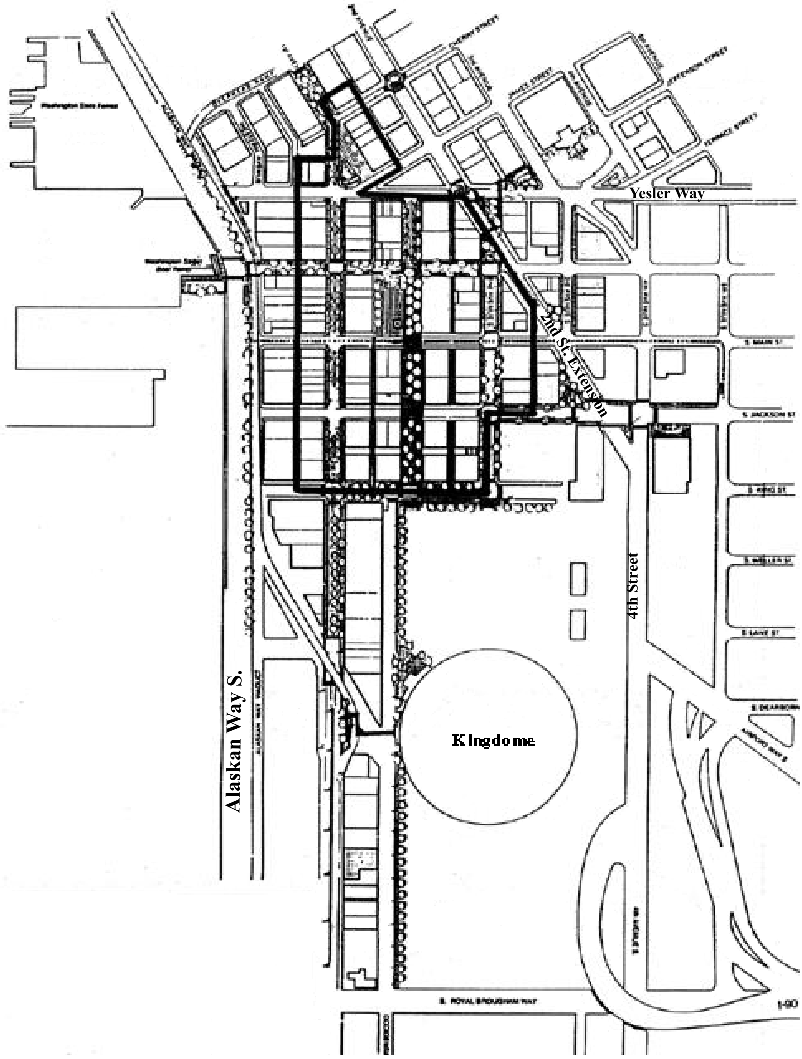
In comparing the character of the businesses in Pioneer Square with businesses in other districts in Seattle, several attributes distinguish the enterprises of Pioneer Square. The businesses in the Kingdome neighborhood tend to have had shorter histories, are more labor intensive, exhibit a greater tendency to rent their commercial spaces, and are smaller. To wit, 86 percent of the businesses within the BIA gross less than $1 million per year (krs services, inc. 1998). All of this indicates that the businesses of Pioneer Square are more fragile in general than enterprises in other districts in Seattle. Where controversial urban projects are concerned, this is not inconsonant with national trends. Districts that are successful in preventing the development (airports, incinerators, and stadiums) from occurring in their neighborhood ("not in my backyard") are generally populated by commercial interests that are big, established, wealthy, and politically connected. Downtown stadiums are generally constructed in warehouse or old railroad yards where land is relatively cheap and political resistance is relatively feeble. These fringe downtown areas, however, are often in the incipient stages of development or have clear alternative uses. The concern of residents and local entrepreneurs in such areas is that the stadium may channel development in directions that are not compatible with the emerging pattern of growth. The survey results indicated that the activities at the Kingdome frustrated rather than contributed to many business activities in Pioneer Square. The reason cited in every

**Figure 3 Pioneer Square Urban Village Footprint Boundaries**




SOURCE: The Pioneer Square Business Improvement Area; used with permission.

**Figure 4 Pioneer Square Business Improvement Area Boundaries**




SOURCE: The Pioneer Square Business Improvement Area; used with permission.

instance of business disruption had to do with parking and general congestion created by events at the Kingdome.

Table 1 provides the result of the survey conducted in Pioneer Square June 26 through June 30, 1998.

**Table 1 Reported Percentage Changes in Revenues for Businesses in Pioneer Square as a Consequence of the Kingdome[a] (*n* = 35)**

| Business type | Decrease by more than 25%[b] | Decrease by less than 25% | Remain constant | Increase by less than 25% | Increase by more than 25% |
|---|---|---|---|---|---|
| Eating and drinking places[c] | | 2 | 5 | 2 | 6 |
| Hotels, motels | | | 1[d] | | 1 |
| Art galleries | 2 | 2 | | | |
| Clothing, jewelry and other retail[e] | 3 | 1 | | 1 | 1 |
| Professional services to include legal | 1 | | 3 | | |
| Entertainment, discos, tourist attractions | | 2 | 2 | | |
| Total | 6 | 7 | 11 | 3 | 8 |

SOURCE: Author's survey.

[a] If the results for the Mariners and Seahawks differed, the convention used was to report the baseball result for two reasons. First, many businesses were not open on Sundays when the Seahawks normally play. Second, the baseball Mariners had 81 home dates compared to eight regular season games for the Mariners. There were 10 cases in which businesses were open on Sunday and reported different impacts (degree, not direction) for the Mariners and Seahawks.

[b] Percentage changes are reported to insure autonomy for the businesses that participated in the survey.

[c] In general, the eating and drinking establishments closest to the Kingdome benefited most from its operation. The impact, in general, diminished with each additional block of distance.

[d] Hotel located outside the Pioneer Square footprint.

[e] Those retail outlets that reported an increase in sales were both in the business of selling sports paraphernalia.

Several conclusions can be drawn based on the survey and interviews of businesses in the Pioneer Square BIA. First, bars that have a sports theme and a location adjacent to the Kingdome derived substantial benefits. Sports bars/restaurants in the immediate vicinity of the Kingdome reported as much as an 800 percent increase in revenues from Mariners' games on weekdays and an increase in business by 1700 percent from weekend Mariners games. Second, the increase in the bar/restaurant business generally was inversely related to the establishment's distance from the Kingdome. Unless the bar had a particularly compelling sports identity, three or four blocks walking distance from the stadium was sufficient to eliminate most of the positive economic impact cited by bars a block or less away. Proximity, however, is no guarantee of success. If the bar/restaurant was not on a pedestrian thoroughfare, the impact was also muted. To cite an example, one bar/restaurant a block and one-half from the stadium, but removed from the constellation of bars frequented by fans after a game, attempted to build a clientele with sports promotions and themes with no success. The bar has changed hands four times in the past few years due to a lack of business. Third, the success of the sports bar/restaurant is highly sensitive to the success of the teams. Not only does a winning team attract more fans to the stadium, but apparently fans supporting mediocre or losing teams are in no mood to celebrate. Several sports bars that gushed about the positive impact of the Mariners and Seahawks sounded a much more sober note in describing the Mariners impact on business in 1998 and other years in which the teams did not compete for a championship.

Other businesses did not share the enthusiasm or the success of the sports bar entrepreneurs for the Kingdome and its teams. Ethnic restaurants, art galleries, professional services, legal services, and most retail outlets reported a decline in business generally in the neighborhood of 25 percent or less. Some professional service establishments, including law offices, have considered changing their location because of the difficulties they encounter meeting clients on game days. The culprit cited by all firms adversely affected by the Kingdome was inadequate parking.[4] As noted previously, the Kingdome parking lots were insufficient to meet the peak traffic flow during stadium events. Automobiles spilled into the neighborhood crowding out normal business activity by using scarce parking spaces. If local spending that occurs in conjunction with the stadium events equaled or exceeded local spending that would occur in the absence of the stadium events, then on balance the local economy would gain. The means for measuring the net spending change are inadequate, but it is clear that the stadium activity did channel business into certain realms and away from others and did create the need for additional parking.

The demand for parking for peak neighborhood activity connected with stadium events creates a dilemma for the community. On one hand, building more parking structures or surface lots minimized the economic disruption caused by the excess demand for parking. On the other hand, using scarce land to accommodate peak parking demand for a few hours of approximately one hundred days would change the character of the neighborhood. Also, providing for more parking would likely create negative externalities and "public goods" issues that would be esthetic as well as economic in nature. Parking lots are strictly utilitarian. They are not attractive structures and have no particular architectural character.

A second option is to price the parking to discourage the quantity of it demanded. One of the bitterest complaints relating to the Pioneer Square parking problems is the increase in parking prices on game day. Participants in the survey reported that lot parking rates double on game or event days and that "meter maids" get more aggressive, thus raising the implicit parking price. The parking problem could be exacerbated further because two stadiums will replace the Kingdome. No agreement has been reached to prohibit the use of the two stadiums on the same day. If events are held on the same day and are highly attended, then the parking problem could escalate dramatically. Despite what is now the north parking lot will be used for housing, government has promised that the number of parking spaces in the Pioneer Square area will be increased through the construction of at least one new tiered parking lot. Of course, tiered parking structures are far more expensive than surface lots, and egress from them is slower.

The parking problem can be mitigated if the public opts for using the area public transit. Union Station (rail) and the International District Station for the International Transit Tunnel (bus) are a few blocks northeast of the dome. The Pioneer Square Station of the Downtown Transit Tunnel is only a few blocks further away from the Kingdome. Closing some streets to parking on game day and raising parking prices is designed, in part, to encourage transportation to the stadium using some means other than automobiles. It should be noted that the use of public transportation requires a significant cultural modification. It is arguable that people in the western part of the United States are unusually partial to automobile transit and display a reluctance to use public transportation. How much inconvenience or additional expense will be required to motivate them to opt for alternative transportation? That question is being debated by people not only in Seattle but throughout the West and the entire United States. Because 50 percent of the businesses inside the BIA and 90 percent of the businesses ringing the BIA indicated that transportation was critical to their business (krs services, inc., 1998), the automobile transportation problem as it relates to Pioneer Square has to be resolved. Parking validation programs for residents and business customers, shuttle buses for neighborhood employees, and park and ride (satellite parking) programs are being seriously considered.

In summary, the results of our survey indicated that less than one-third of the businesses located in Pioneer Square reported revenue increases attributable to the Kingdome. Aside from the parking lot business, bars and restaurants with a sports identity benefited, as did Pioneer Square hotels. In general, however, most businesses located in Pioneer Square (retail, professional services, legal services, and art galleries) reported that their revenues either remained constant or suffered as a consequence of the Kingdome. This finding echoes results reported in the recent survey conducted by krs services, inc. On page 13 of their July 24, 1998 study, the firm reported:

> It is interesting to note that lack of dependence by the majority of Pioneer Square businesses on tourists, spectators at sporting/Kingdome events and participants in the First Thursday or gallery activities . . .
> It is also interesting that, according to those who participated in the survey, there appears to be as much business reliance on customers attending First Thursday or patronizing art galleries as there are spectators attending sporting events or other activities at the Kingdome.

Reportedly, the Kingdome adversely affects certain businesses in Pioneer Square because of its peak use of key community resources, most notably parking, during stadium events. In general, the stadium's overall economic impact on the neighborhood was uncertain. Therefore, with any new urban stadium, overall economic activity could increase, remain constant, or decrease. What is clear is that city governments cannot assume that the influx of spectators into a neighborhood for a stadium event will translate into increased economic activity to a degree commensurate with the number of visitors. Indeed, in identifying the reasons why a stadium may not induce an expansion of the metropolitan economy, one may not have to look any further than the neighborhood in which the stadium is located. In the neighborhood, the substitution effects, which negate the impact of fan spending in conjunction with the sporting events, are most apparent.

## CONCLUSIONS AND POLICY IMPLICATIONS

There appears to be growing agreement that professional sports teams and stadiums have little if any economic impact on their host cities. The lack of economic impact is explained by simple budgetary realities. If the fans attending the sporting events are indigenous to the city hosting the event, then the time and money they spend spectating at sporting events is vitiated by reduced spending elsewhere within the metropolitan area. The impact on the local or neighborhood economy in which the stadium is located is less clear. The influx of nonresidents on game or event day suggests substantial economic impact. Does more careful empirical analysis confirm casual observation? Does the downtown benefit from the construction of a sports stadium?

The evidence from Seattle is decidedly mixed. Clearly the stadium channels economic activity in the direction of businesses that have a connection to sports. Stadium bars and restaurants and retail outlets selling sports paraphernalia benefit. Many other businesses, particularly those that do not appeal to sports fans, lose business. This occurs as a consequence of peak use of shared community resources on event day; parking and sidewalk space are the most obvious examples. Customers that ordinarily would patronize local businesses do not on event day because the cost and inconvenience of doing so increases. Routine or normal business, therefore, is crowded out on a scale that may well offset any neighborhood gains. Unless the excess demand for key local resources is somehow mitigated, many other commercial activities in the neighborhood are destined to decline.

The policy implications are clear. Whether the stadium contributes meaningfully to the local economy depends on the nature of that economy and its ability to minimize the disruption caused by peak stadium traffic. This requires careful planning and a willingness on the part of professional sports teams to be good citizens. The political power that professional sports teams currently wield forces neighborhood businesses and residents to shoulder a disproportionate share of the risks and inconvenience associated with the influx of fans on game days. Local residents, business employees, and other business patrons have to be given parking priorities. Remote parking and an emphasis on public transportation are essential to maintaining neighborhood economic vitality.

In addition to parking concessions, owners of professional sports teams need to share the commerce associated with sports spectating. The modern stadium doubles as a shopping mall complete with food courts whose operation serves to minimize the neighborhood economic impact. The fact that souvenir venders are prohibited from operating too close to some new stadiums in the U.S. is one overt manifestation of excessive team influence and a lack of citizenship.

Legislators have been sensitive to the demise of urban America for a variety of reasons, and, as a consequence, initiatives designed to rejuvenate downtowns have enjoyed some support at the state and federal levels. There are what economists would identify as externality issues associated with urban blight, and it could be argued that revitalizing downtowns generates benefits that spill beyond the urban core. If this is so, nonlocal public subsidies for downtown redevelopment may have merit. Before stadiums can be used to rejuvenate the downtown, it must be determined that they represent the best use of that land. Parking and the nature of economic development that sports fosters are factors that have to be weighed in those land-use decisions. Professional sports leagues operate as unregulated monopolies, and until that issue is addressed, poor decisions with regard to the location and operation of stadiums will continue to occur. The most important policy implication is to revamp the structure of professional sports leagues to ensure that the greatest good for the greatest number is ensured.

## Notes

1. Direct expenditures are “multiplied” by a number that represents the respending of dollars spent as a consequence of the sports event. For example, the waiters at a restaurant that attracts fans after the game receives tips that are in turn spent by the waiter on goods and services provided by the local economy. For an example of an analysis that uses gross expenditures see Shils (1989).
2. With the construction of the baseball stadium, approximately 1,200 of those parking spots have been eliminated in the south parking lot. For an event that attracts a capacity crowd, the 2,400 available stadium parking spaces implies there are 27 fans for each parking space. Given the use of automobiles by fans, the industry standard has been three or four fans for each parking space.
3. Representing the neighborhood as a business admittedly captures only a portion of a community’s character and quality of life, but such a representation provides some useful insights.
4. In the July 24, 1998 survey conducted by krs services, inc., businesses gave parking the highest priority in improving Pioneer Square. Parking, however, is not a problem unique to Pioneer Square. In six other recently surveyed Seattle business districts, parking was listed as the first or second highest priority in four of the six districts.

# APPENDIX

## Survey of the Effects the Kingdome on Commercial Activity in Seattle

**Note to the participant:** Your responses to this survey will be kept strictly confidential. Individual responses will not be reported separately. The data a business provides will be reported only as part of an overall result in which variables such as the change in revenues will be represented as percent changes.

1. Business or firm name ________________________________________

2. Location of business ________________________________________

3. Proximity to Kingdome__________walking minutes____________miles

4. Type of business ________________________________________
   (Office use only: SIC code = ).

5. Business structure: ___ Corporate ___Franchise ___ Sole proprietorship
   ___ Locally owned ___ Nationally owned

6. On-street parking ___Yes ___No
   Parking on street is metered ___Yes ___No
   ___ Distance to nearest parking garage/lot
   ___ Proximity to public transportation.

7. Revenue generated by your business on game day/night for the Mariners
   ___ increases by more than 25% ___ increases by less than 25%
   ___ decreases by more than 25% ___ decreases by less than 25%
   ___ stays the same

8. Revenue generated by your business on game day/night for the Seahawks
   ___ increases by more than 25% ___ increases by less than 25%
   ___ decreases by more than 25% ___ decreases by less than 25%
   ___ stays the same

9. If revenue decreases on game day it is because of (rank on a scale of 0–5, where 0 represents no effect and 5 represents a significant effect):
   ___ inadequate parking ___ competition from stadium amenities
   ___ general stadium congestion ___ behavior of those who attend games.

10. Revenue Data:
    Typical revenue from the business: ___ Weekday ___Weekend
    Typical revenue from the business during a Mariners' game:
    ___ Weekday ___ Weekend
    Typical revenue from the business during a Seahawks' game:
    ___ Weekday ___ Weekend

11. Other comments:

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