



# Proposed PawSox stadium's value can be difficult to measure

**Minor league parks lack the economic impact of major league venues but have quality-of-life benefits**

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Break out the calculators and the spreadsheets because the PawSox have a math equation for you.

How much economic activity and how many jobs do you think the team will generate by moving to Providence? Is the move worth up to \$4 million a year to taxpayers?

If not, the International League team is likely to head out of Rhode Island in the next few years. "If we're not in Providence, we're probably not going to be in Rhode Island," said James J. Skeffington, a PawSox co-owner.

Skeffington on Wednesday released some of the financial aspects of the stadium proposal.

The "ask," as such requests are often labeled, is fairly simple — \$150 million spread over a 30-year lease with the state. The team also would like to get the land it wants, a prime chunk of riverfront property freed up by the I-195 relocation project, for \$1 a year. The PawSox owners also don't want to pay city property taxes.

The "give" on the team's part would be a \$1-million annual sublease payment to the state. That's how the \$4 million annual taxpayer cost arises. That equates to the state paying up to \$120 million for a 10,000-seat stadium projected to cost \$70 million. (The total project estimate is \$85 million, including a parking garage and infrastructure costs.)

There also would be spinoff revenue during both the construction and the operation stages of the ballpark in the form of sales, hotel and income taxes, as well as wages.

Consultants hired by the team put the direct annual economic activity generated by the team's move to Providence to be \$12.3 million and \$6.8 million in wages for 180 workers. The study done by consulting firm Brailsford & Dunlavey estimates the ballpark would generate \$2 million annually in state taxes from the team's games.

The study assumes that the team will draw more fans, at least in its first few years, than it has in Pawtucket.

Unlike the state's lease payment to the team, it's uncertain that will happen. Nor is it clear whether those taxes will be more than the team generates in Pawtucket. The study did not look at how much tax revenue the team generates now and the state Division of Taxation said it cannot release those figures.

"A reasonable effort should be made to keep the PawSox in Rhode Island," said Gary Sasse, director of the Hassenfeld Institute for Public Leadership at Bryant University. "However, on first read this proposal appears to heavily favor the owners not the taxpayers."

Stadium proponents often project revenues and positive effects that never materialize, say economists who study the topic. That leaves communities that get involved in stadium financing to divert money from schools, police and other departments to cover debt payments and maintenance costs.

There are many reasons athletic venues fail to live up to economic projections. For one, venues sit empty for much of the time.

The PawSox play 72 home games a year during the International League schedule. Skeffington also expects the stadium to host about 30 college games annually. Other events are possible, such as concerts and corporate meetings.

Victor Matheson, a College of the Holy Cross economist who studies stadium economics, said Major League Baseball parks can sometimes have positive financial spinoffs.

Minor league stadiums operate at a different level, he said; for one, patrons generally live close to the ballpark.

"The real issue for minor league baseball is that [it] draws very little interstate tourism," Matheson said.

Short-distance travel puts the "substitution effect" in play. It's the view that consumers do not increase their entertainment spending when a new sports venue opens, but instead "substitute" what would have been spent on other entertainment for game tickets and refreshments. Shifting money from one private entity to another doesn't create economic growth.

Other analysts question whether such projects can work to a community's benefit.

"The evidence suggests that attracting a professional sports franchise to a city and building that franchise a new stadium or arena will have no effect on the growth rate of real per capita income and may reduce the level of real per capita income in a metropolitan area," according to a Cato Institute study.

Similarly, a study by Federal Reserve Bank of Kansas City notes that communities should not embark on major league ballpark construction if the goal is simply to improve the local economy.

"The answer is definitely not if benefits are limited to increases in economic activity and tax revenue collection," the study said.

Stadium math comes with a difficult-to-measure variable: quality of life.

"Having a professional baseball team adds to the quality of life and the social stimulus that we wouldn't have if they leave," said Lee A. Eskilsen, a management professor at Johnson & Wales University.

Eskilsen's view follows that of a study by the Federal Reserve Bank of Kansas City: "A strong case can be made, however, that the quality-of-life benefits from hosting a major league team can sometimes justify the large public outlays associated with doing so," Federal Reserve analysts said. "Residents and elected officials who understand that the benefits of a sports team are the same sort that flow from parks, zoos, museums, and theater can decide on their own how much hosting a major league team is worth. "