Do sports arenas pay off? Here’s one that has.

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The proposed sports arena in Alexandria could be dead by the time you read this. At least dead for now. Gov. Glenn Youngkin may have negotiated lots of business deals in his pre-political life, but he’s never met anyone like state Sen. Louise Lucas, D-Portsmouth, the chair of the Senate Finance Committee, who has been adamant that she’s not letting the arena get past her.

Youngkin has dangled the prospect of $322 million in “toll relief” for Hampton Roads, because Lucas had made it known she wants those tolls on the tunnels from her district into Norfolk gone. Even that may not be enough. We shall see. Richmond, though, is much like a vampire’s lair — sometimes things that appear dead may not be truly dead, so a pronouncement of dead does not equate to a wooden stake through the heart.

Until we see someone pounding that wooden stake, let’s step back from the politics and look at the economics.

The best argument for a state role in a proposed sports arena in Alexandria is that the venue and its associated “entertainment district” would generate oodles of tax revenue that could be used statewide — $7 billion over the next 40 years.

The best argument against the project is that many studies show sports venues don’t generate the economic growth that’s always proposed.

So which is it? Would the proposed Alexandria arena be a gold mine or a money pit? This is more than just an idle question for those of us on the other side of the state from Northern Virginia.

If it’s the former, that would be a good thing for Southwest and Southside. Most of the funding for rural schools comes from the state, so anything that increases state revenues has the potential to increase school funding — and other things. In a message to legislators, Youngkin has said that “this revenue can be a dedicated, long-term funding stream for key shared priorities, including toll relief, education funding for disadvantaged rural and urban areas, and funding for Interstate 81 improvements.”

On the other hand, if the Alexandria arena proved to be a dud, the state could wind up stuck having to pay off bonds, and that would constrain the state's spending abilities for a long time to come.

This is from the presentation from Monumental Sports and Entertainment about the proposed Alexandria arena.

Let's see if we can set aside philosophical objections to "bailing out billionaires" and look at this as just a regular economic development deal. The state offers lots of incentives. Those might be distasteful but we do it because we'd rather have the jobs than see them go elsewhere. Same here: If this makes money for the state, why isn't that a good deal? Conversely, if it's economically risky, then it's not, right?

Let's also set aside projections. I have yet to see projections on any economic development project that didn't promise riches beyond belief.

Finally, let's also set aside all those studies saying sports venues don't generate economic growth. I've read as many of these reports as I could find and none of them offers a city-by-city breakdown. Maybe the proposition is true in general, but are there exceptions? We don't know.

Instead, let's start with a completely open mind and look at what's actually happened with previous arenas: Did they trigger related development or not? And, if so, was that development enough to overcome the public expense?

Over the past 10 years, we've seen eight new arenas open that house either NBA or NHL teams. The logical one to look at is the Little Caesars Arena, which opened in Detroit in 2017, because this arena is home to teams from both leagues — just like the Alexandria arena would be with the Wizards and the Capitals.

Furthermore, Little Caesars Arena is in what's supposed to be an "entertainment district" — again, just like the proposed Alexandria venue. So how has it worked out?

We don't know.

"As far as I can tell, no one has done an economic impact study on Little Caesars Arena after it was built to see if it lived up to its promises," Chris Douglas, an associate professor of economics at the University of Michigan-Flint and a scholar associated with the Mackinac Center for Public Policy, a conservative think tank in Michigan, told me. "It is interesting, as far as I can tell, no one ever follows up to see if a taxpayer-funded stadium or arena actually delivered the benefits that it promised."

You will see as we look at different cities that this is a consistent theme: The only formal studies I've been able to find on any of these arenas, after the fact, have been by groups that you'd expect to be pro-arena — downtown business groups, for instance. Maybe those studies are legit, but it would be better to have something from a more neutral source. Anyway, in the case of the Detroit arena there are no studies — and no one with either the city or the development authority in charge of the arena neighborhood wanted to talk, either.

That leaves us relying on … journalism. Allow me here to put in a self-serving plug for journalism: Cardinal News is a nonprofit that relies on donations. If you value independent reporting, you can help support more of it. And now, back to Detroit: The arena broke ground in 2014 and opened in 2017. A year later, The Guardian called the neighborhood "a development dead zone," although that seems too soon to judge. More contemporary on-the-ground reporting from the Motor City says that not much has happened around the arena until the past year, so seven years after the opening, the promised economic growth doesn't seem to have materialized.

However, that may not be because the premise of an arena generating economic growth is flawed. The Guardian reports: "The arena, the Red Wings ice hockey team that plays there, and almost all the blighted property in the District share the same owner: Detroit's billionaire Ilitch family." Much of the reporting in Detroit focuses on complaints that the family, through its various companies, simply hasn't moved fast enough. The Detroit Free Press reported last year that "*the initial construction* of the $1.5 billion District Detroit development is behind schedule, although the Ilitch organization remains confident that a groundbreaking can happen soon." (Emphasis added.) Detroit's mayor blamed the slowness on the difficulty in obtaining financing for the project. Last year, the family went back to the city for more incentives and the Detroit Free Press says "critics of the project cited unfulfilled public expectations on the scope and pace of development for the initial phase of District Detroit as reasons to not give the Ilitch organization another chance." Now, prominent New York developer Stephen Ross has signed on with District Detroit and the mayor says "if there is anybody who can do it, it is Stephen Ross."

I like to be cautious in my pronouncements, so I'm inclined to say that the Detroit example here is simply inconclusive. The lack of development may simply be an organizational problem, not a sign that the concept is wrong. For now, we just don't know.

Of note: Last year the University of Michigan announced it would build a $250 million research and education center in the area. Alexandria is far ahead of Detroit on that score: Virginia Tech's Innovation Campus is already under construction next to the proposed arena and will open later this year.

If Detroit doesn't provide us a clear answer, yay or nay, we must look instead at arenas that are home to just a single team, even as we acknowledge that's not a perfect match since we're talking half as many home games. Four of the other recently built arenas don't seem good topics for exploration. The NBA's Golden State Warriors paid for their arena, so the question of whether any resultant economic growth matched the public cost doesn't apply. The NHL's Arizona Coyotes are playing in a recently built college venue as they await word on whether they can find a permanent home in the Phoenix metro area. The venues where the NHL's New York Islanders and Vegas Golden Knights play are in cities that just don't seem like good comparisons. That leaves us with three others to look at.

Golden 1 Center in Sacramento

This arena opened in 2016 for the NBA's Sacramento Kings, a team that at one point had contemplated moving to Virginia Beach. A report in 2021 by the Downtown Sacramento Partnership declared that since the arena opened, "41 [downtown] properties totaling more than

$1.5 billion and nearly 5.4 million square feet of commercial space have sold," the downtown population has grown 7% and "Downtown office vacancy rates have remained low, at just 7.5%, demonstrating strong demand by employers and employees looking to be near Golden 1 Center." Comstock's, a business magazine in California, called the arena "a golden spike for downtown."

What we don't know, though, is whether that downtown growth would have happened anyway and, more importantly, whether all that growth has generated more tax revenue than what the city put into the arena.

Sacramento's experience is intriguing but ultimately comes up short on the data we need most.

Rogers Place in Edmonton

This arena opened in 2016 for the NHL's Edmonton Oilers. Three years later, the Canadian Broadcasting Corporation quoted a city council member in the Alberta capital saying that since the arena opened, "downtown has taken off." A report by the Downtown Business Association found that more than $2 billion worth of construction projects were underway — those are multi-colored Canadian dollars, so at the current exchange rate, $1.48 billion in our more boring all-green currency. However, the CBC also quoted another council member who said the arena wasn't responsible for that growth, it would have happened anyway.

Once again, we lack a formal study that addresses whether the revenues have offset the municipal expense. If this were a hockey game, I'd say it requires overtime. So let's move on. So far, though, we've looked at three examples and reached inconclusive results. Can we find an example that provides a more definitive conclusion, one way or another? Yes, we can.

Fiserv Forum in Milwaukee

This arena, home to the NBA's Milwaukee Bucks, opened in 2018 as the anchor of the Deer District.

As noted earlier, there appear to be no formal studies but there's lots of reporting in Milwaukee that talks up how the Fiserv Forum has generated economic growth — although critics have never said arenas don't generate economic growth, just that they don't generate enough to justify the expense. That means it's ultimately hard to tell.

However, I did come across an article by Christian Schneider, a former Milwaukee Journal Sentinel columnist who is now a columnist for the conservative National Review and editorial director for the Cato Institute, a libertarian think tank. Libertarians are often the biggest critics of public financing of sports venues. Schneider, though, wrote a Substack post in 2022 headlined: "A publicly-funded arena plan that actually worked: Milwaukee's new downtown arena is a big money generator for the state."

The financing scheme for the Milwaukee arena depends on taxing the salaries of the NBA millionaires who play there; the Alexandria arena plan would also involve "funding from the corporate tax that businesses pay to operate at the arena, as well as the personal income tax paid by workers employed at those businesses."

Schneider, citing figures he obtained from the state government, wrote that “over $14 million per year is now pouring in from taxes on NBA salaries — well over the $4 million the state is paying for Fiserv Forum.” In other words, each year the state of Wisconsin is making $10 million on the arena — not counting any economic growth in the surrounding Deer District.

“With the salary cap going up and more television money being pumped into the NBA, Wisconsin is now raking in twice the total arena-related tax revenue per year than it was in 2015 when the stadium deal was inked,” Schneider wrote “And that extra money isn’t going to millionaire athletes — it is being sent to elementary schools, police forces and other public services.”

Schneider’s post details all the math, if you’d like to see it. He concluded: “Skepticism of big arena plans that benefit rich owners is always warranted. It is my default setting. But this specific plan — misunderstood by much of the national media at the time — worked even better than expected, and the state is better off for it.”

For any legislators out there who are undecided about the Alexandria arena, here’s the question they want to pose: If Virginia were to go forward with an arena, would it be like Milwaukee’s?