



Tennessee

Experts cast doubt on economic claims related to a newly publicly funded Chattanooga baseball stadium

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(The Center Square) — Sports economists and a Tennessee think tank say that a new \$79.5 million stadium funded mainly through tax money is another example of a publicly funded sports stadium that will fall short of its economic promises.

Chattanooga and Hamilton County announced details of the proposed deal, much of which will still need to be approved by the city and county governmental boards, late last week as the Double-A Cincinnati Reds affiliate Chattanooga Lookouts would move from AT&T Field in downtown Chattanooga, built in 2000, to a new stadium on 100 acres at the U.S. Pipe and Wheland Foundry sites off Interstate 24 that would include a multi-family residential buildings, office space, and public recreation areas.

"Study after study ranging from the left-leaning Brookings Institute to the right-leaning Cato Institute shows what terrible investments taxpayer-funded stadiums always are," said Mark Cunningham, spokesperson and VP of Strategy and Communications at the Beacon Center of Tennessee, a Nashville-based think tank. "The government uses astoundingly optimistic (unrealistic) numbers to try to justify the economic benefit to taxpayers while downplaying the cost and at the end of the road, it's the taxpayers holding the bag when those numbers are incorrect.

"The fact is Chattanooga is a great place for companies to move and private investment would likely have taken place with or without this stadium. Taxpayers shouldn't be forced to subsidize huge corporations at the expense of basic government functions like roads, public safety, and education. Hamilton County taxpayers should at minimum get a say in their money going to this stadium via referendum."

A recent poll shared with The Center Square of Republican voters in Hamilton County showed that 60% were against a new stadium, 20% were for it and 20% were uncertain.

The city and county will each contribute \$1.5 million to the deal initially and the stadium expense will be bonded and owned by the newly created Chattanooga Sports Authority, a joint creation of both governmental bodies. The state will also have to approve the tax increment financing district if it is first approved by the city and county.

The bonds are then expected to be repaid through **\$49.8 million worth of property taxes** from the site, \$17.5 million worth of lease payments (\$1 million per year), an estimated \$5 million in sales taxes retained by the team after it was **approved** by Tennessee lawmakers and an estimated \$3 million in parking fees.

While the Lookouts will move to the new facility a city spokesperson said that Chattanooga FC, partially owned by Chattanooga Mayor Tim Kelly, will continue to play at Finley Stadium.

"It's the same as always, if people start going to the Lookouts game and spending their money there then that money, which was being spent elsewhere that would have gone to funding other government services, is now going to fund the stadium," said economist J.C. Bradbury of Kennesaw State University in Georgia. "It's even a little bit more interesting because my guess is that most of the people who go to the new stadium will be people who were going to the old stadium, but that's tax revenue that at the old site will be diminished and go to the new site. So I'm not sure what the game is here."

The property for the stadium, estimated in the announcement to be worth \$10 million, will be donated to the stadium authority as part of the deal.

On Wednesday morning, the United States Environmental Protection Agency will announce Brownfield program cleanup and assessment grants awarded for the site that are designed to "help spur economic revitalization by addressing contaminated, polluted, or hazardous brownfield properties in the South Chattanooga and Alton Park communities." The amount of grant funding has not been released.

"When it comes to collecting tax money for stadiums, there is no found revenue," Bradbury said. "When you introduce a new tax, it's mainly local people who are paying it, so they're just not spending it somewhere else. There's not a free lunch."

Bradbury said that many irrelevant facts, like the Lookouts' annual rent payment being three times larger than what the Tennessee Titans pay at Nissan Stadium, are brought up in stadium deals. But what's relevant is the total in foregone tax dollars given to the stadium and the opportunity cost of spending those funds on a baseball stadium instead of on other public projects such as roads, bridges, water and sewer upgrades or public parks.

Both Bradbury and Cunningham suggested the city and county use a tax referendum if they believe the public should pay for the new stadium.

Bradbury said that, particularly with minor league stadium projects, tax projections are created and often inflated as deals are announced and then the question becomes who makes up for that funding when the tax and parking revenues fall short of expectations but the bonds still need to be paid.

"They're anticipating that the property value is going to grow so much that the taxes are going to be enough to cover that," Bradbury said. "What happens if it doesn't, because I won't be surprised if it falls well short? Because they always overestimate these things."

The announcement of the proposal included a claim that the new project would create \$40 million in additional funding for Hamilton County schools over 30 years. A city spokesperson said that the number was arrived at based upon "a very conservative \$350 million in surrounding development. With \$500 million in surrounding development, \$55 million would go to schools over the 30 year financing period."

"If this generates \$40 million extra for schools, every city in the country should start building minor league baseball stadiums or starting independent league baseball," Bradbury said. "Also, this would mean this is a first-of-its-kind development. This never happens."