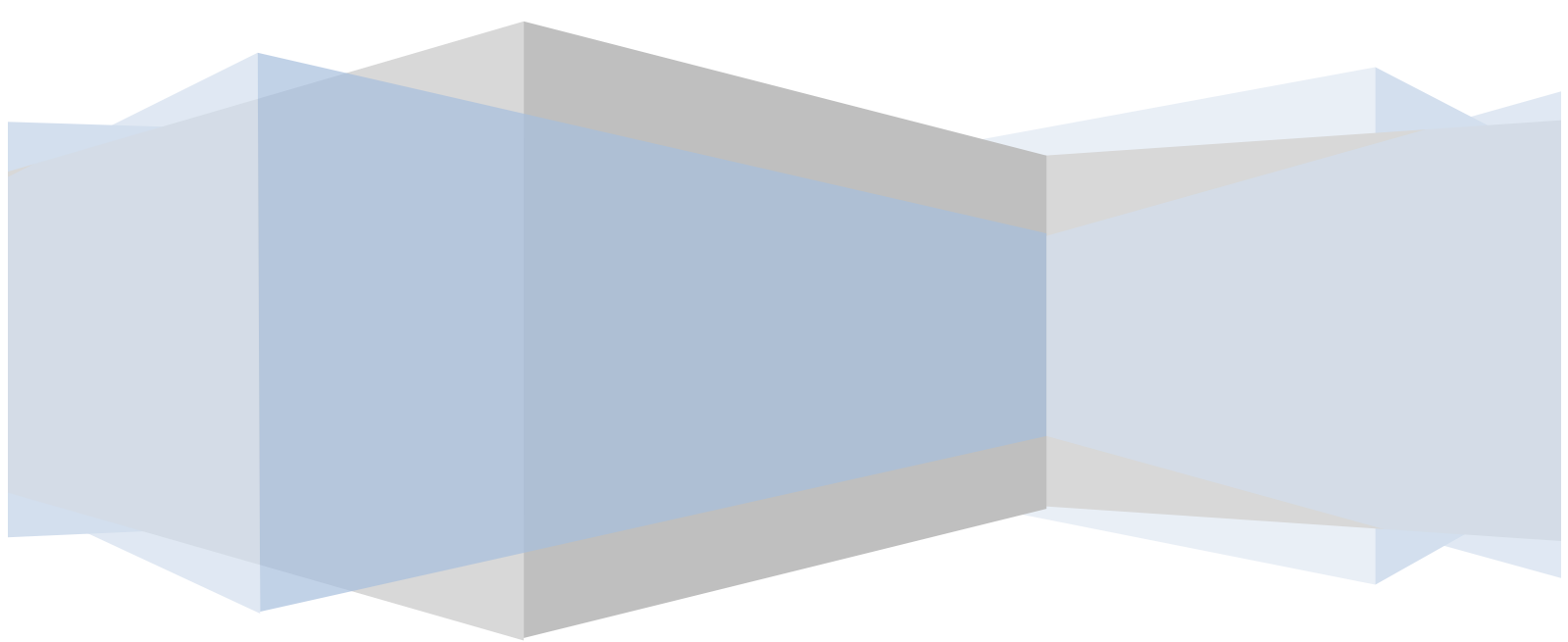


*Capstone Seminar In Public Management*

**Does Miami's New Stadium Have an Effect  
on the Local Economy?**

By: Tony Ozegovich



# **Table of Contents**

**I. Cover page**

**II. Table of Contents**

**III. Abstract**

**IV. Introduction**

- ◇ **3. Brief History**
- ◇ **4. Repaying the Debt**
- ◇ **5. Marketability**
- ◇ **6. Local Opinion and Fact**
- ◇ **7. Cycle of Sports Economy**
- ◇ **8. Misunderstanding the Effect**
- ◇ **9. Past studies To Prove A Point**
- ◇ **10. Quality of Life**

**V. Conclusion**

## **Abstract**

The purpose of this research paper is to bring attention to the situation that was increasingly expensive and evolving in Miami dealing with the new stadium being built for the Florida Marlins. People should care where their tax money is spent or if a huge project is occurring in their own city and have the right to be able to access multiple forms of information regarding that topic. The main overall question addressed was if this would have some overall effect on the South Florida economy. In this paper I weigh out the pros and cons of the argument. For instance, what does this new stadium do, how does it affect the marketability of the team, or how many new jobs will this create? Also, referencing past literature, I point out cons in the form of that it actually has no real effect economically shown by numbers in studies or that people really just don't know enough information. With using certain information I have recorded between interviews and research, I will take on the juggernaut of scientific evaluations of previous studies done on past stadiums and different cities and try to show you justification in the argument that this does help the economy. In conclusion, we will find that both sides weigh out and it really becomes a quality of life/ opinion matter to whoever may be discussing if building a new stadium will really effect the local economy.

## **Introduction**

With the Marlins being a sports team losing millions every year and fan attendance is one the lowest among its league. Not to mention, this team has had the lowest, if not 2nd lowest total payroll among the Major Leagues for the past couple of years and usually just trades off anyone with a sign of greatness arising. I beg to ask

the question, how does a city still feeling woes from the "great recession" of our era still approve a new \$515 million stadium to be built and expect to see anything back in return from the organization? With the latest years seeing a boom in building new sports parks and stadiums, you would think that new stadiums bring a fresh, new outlook and support financially to local economy's. However, when taking a closer look at the history of new stadiums improving the economy, all of this might suggest other negative implications. On the other hand, I have the choose to argue against this claim because most other cities are completely different. Even though this team and stadium seem doomed to become another notch on the list for economic woes, Miami-Dade has something to offer that most other cities do not, it is a huge economy that heavily relies upon tourist dollars. Even with this in mind, how do locals still inherit a huge chunk of what could possibly go to other systems such as transportation or schools? Still, the fact is that a majority of what is needed comes from the people who visit our lovely South Florida. This is where other cities in past attempts to generate for the local economy have supposedly failed and it seems logical thinking that most people just don't travel to the North, Northwest, Southwest, and Midwest in search of a warm, beach destination. This factor of where we are doubles or even triples our chances of holding greater events such as a Super Bowl or All Star games here and that is thanks to our lovely warm climate and appealing surroundings. Any of these events proves to be a huge boost to the local economy by generating millions in local and tourists dollars from the weekend alone; the Super Bowl XLIV held in Miami this year being a perfect example. Miami was crawling with people who flocked from around the country to come see the sports spectacle. Then on the other hand, books and journal articles bring up hard

evidence and facts to support claims that it won't really do much and has little effect long term. Throughout doing interviews, plus looking into other news related articles, it seems that most people are behind this building of the stadium and feel it will bring a new wave of business in with it. Along with these facts backing my argument and other related information, I will strive to show how this will have a positive influence on Miami-Dade's economy starting now.

### **Brief History**

On Monday April 5th, 1993, the Florida Marlins played their first ever game against the Los Angeles Dodgers inside Joe Robbie stadium in Miami, Florida. Five years later they won their first ever World Championship and being the fastest expansion franchise to ever do so. Then they once again won another championship 7seven years after that. At this point in 2003 major discussions for a plan to build a new stadium started to really take off for the Florida Marlins. Major Plans were under way to redefine some area of Miami, as well as boosting the Economy behind this team. In February 2008 the debate on the stadium finally came to a close and the city commission had agreed on the new stadium's package deal." *After lengthy and often-contentious debate, Miami-Dade County commissioners -- some grudgingly at first -- voted Thursday night to approve a basic plan for a \$515 million retractable-roof stadium that would open in time for the 2011 season. The first vote passed the county commission 9-3. About 25 minutes later, after amending some language, the county motioned to re-vote and approved the Baseball Stadium Agreement unanimously. City commissioners approved the BSA by a 4-1 vote several hours earlier"* (Assoc. Press 2008). At the time there were still many concerns to be taken care of and other

businesses taking action to have this stadium construction stalled even longer. After seeing that the mayor of both the City of Miami and the county were both backing the idea, it just seemed that this decision would eventually come to terms. In July of 2009 all of that drama was officially done away with and the groundbreaking ceremony was held on the lot of where the former Orange Bowl Stadium once was stood, .. now demolished. Overall, the cost of the project to build the stadium being \$515, how does the money get paid back? According to sources, *"The county would pay \$347 million in stadium construction costs, mostly from tourism taxes. The Marlins would pay \$155 million, some through a \$2.3 million annual rent bill, plus agree to buy 5,750 parking spots from the city for 35 seasons -- essentially paying off the garage-building cost "* (Assoc. Press 2008). The stadium is to hold 37'000 seats and is located in the heart of the Lil' Havana area in Miami, this however was not the location originally planned on by the MLB or Marlins according to reports. Officials at the time, such as the mayor Manny Diaz were quoted saying, *"This is a binding agreement, this is it". We have a deal. There will be baseball in Miami.*" Also with County Manager George Burgess being quoted saying, *"There's a lot of work to do."* In the past couple of years, there were rumors arising that the team was ready to move to another city if the deal was not going to happen for this new stadium. Eventually, all the myths and controversy disappeared, this was no longer the case. Very excited by the news, owner of the Marlins, Jeffrey Loria said, *" One of the longest-running hopes for a baseball stadium in the history of the game has finally ended, successfully" and " I'm very happy to hear it was a unanimous vote at the end."* In my opinion, I think this really will let the marlins

stand out now, being that they have been sharing a stadium with the Dolphins and other collegiate teams for some time now.

### **Repaying the Debt**

The city bearing most of the cost, we now struggle to understand why the city would inherit a such a large sum of debt. The Miami Herald reported that \$2.4 billion is the cost over 40 years to pay off \$409 million in bonds, most of which will go to the ballpark. This number would probably make most people fall right off their feet or faint at first hearing it. However though, according to the Broward's Sun Sentinel writer Sarah Talalay, she reported the County Manager George Burgess said, "*The financing schedule takes into account the higher than anticipated interest rate and backloads higher debt service payments to ensure the county has collected enough tourist tax dollars to cover the payments.*" What all of this relates to is like when a person mortgages their house at such a level of interest and you end up paying double the price basically over the years. Burgess was also quoted by saying, "*The bottom line is that the transaction was structured within the constrained tourist tax revenue streams in a way that will significantly minimize any exposure to the secondary pledge of the bonds.*" "*There's also the possibility the bonds can be refinanced when credit markets improve.*" Talalay then simplifying the statement says, "*there's no question the project relies on a huge sum of public dollars. County officials call them tourist tax dollars, which have a restricted use. That's true, but they are still public dollars.*" Agreeing on the statement she made, how were these public dollars not put to a different use is a question you can find yourself asking, but you also have to ask yourself what would have happened if the franchise had moved from Miami?

## **Marketability**

Along with building this new stadium, many arrows point to the value of the franchise to rise with it. When this happens, new owners or multiple investors become interested in the team. Usually when this happens, salaries for players increase and higher paid players are brought in. This could possibly be another figure for getting more people to the ballpark; besides the amazing feature of the retractable roof being installed for rainy days or overly bearing, hot afternoon games. According to Forbes, as reported in the sun sentinel, *"the value of the Marlins increased more than any other MLB team. The team ranked 27th – up from 30th last year – and saw its value increase 15 percent to \$317 million.* However all of this was quickly dismissed by the team's President David Samson who was quoted saying, *"the magazine doesn't have access to the team's books"* in Juan Rodriguez' story. Does this idea of a team's value rising actually contribute to helping the economy though? In my thoughts I think that it could possibly have an effect on local economy, at the very least it would help the fan base at least grow. When you look at teams such as the Yankees or Red Sox and their massive payrolls, it seems to have a tremendous effect on the market for the team pushing their value through the roof into billions. According to Forbes, the Yankees made \$441 million in revenue during their first season at their new ballpark! The amount of business that must bring to the local economy, before taking out their share must be tremendous. I feel this is a future that the Marlins might rise to and become a powerhouse generating amazing amounts of sales and revenue for local businesses. This in turn being part of my argument for boosting the local economy. Most friends and diehard fans I spoke to about this issue fully supported the idea of the new stadium for the fact it would raise

the value of team attracting new owners and higher salary players to the Marlins organization. In time I feel that this will all fall into place and the Marlins will become a top franchise to contend with the other head franchises of the sport. For a little last bit about marketing, the Marlins will now become the Miami Marlins, taking Florida out of the title; it all seems logical knowing that there is now a franchise in Tampa. So for all the fans that like to spend money on merchandise, it is time to go out and buy the new stuff!

### **Local Opinion and Fact**

So when really thinking about all the possibilities, pros, and cons; what do taxpayers really want? How can we exactly measure all of the information we have to find out what really makes this deal sparkle? At the same time though how could you not let this happen, what are the people really losing? When interviewing business owners from around the area where the stadium is built, they couldn't seem to be more excited. When interviewing a local restaurant/bar owner in the area who asked to remain anonymous, he welcomed the idea of this stadium and wanted the deal to move along as fast as it could. He seemed urgent on the idea of the stadium, for the fact that once this stadium is up and running, his business will quadruple or better yet, quintuple! After the way the economy took a downturn and the demolishing of the orange bowl, it left most businesses in the area crumbling slowly to the ground. Then, when interviewing a construction worker on a quick break from manufacturing this new stadium, he also seemed very delighted by all this. He used himself as reference to what good it does for people really in need of a job at this time, that move from job to job looking to make ends meat. He even has the possibility of being kept by the

construction company he's with now. In a Sun Sentinel article it reports that, "*the project is between 25 percent and 30 percent complete and has about 350 workers on site, which will rise to about 500 in the next month.*" So as you can see, even before the stadium is actually up and running it has already begun a small ripple in the local economy. Both the bar owner and construction worker were very pleased that all of this is happening, so that may be able to support themselves easily once again. The only other question was if the city didn't build the stadium, where would they have liked to see the money go. Both would have liked to have seen it go to the kids and schools or to be put into the transportation system somehow.

Afterwards, as I still walked around the neighborhood being nosy, I had a chance to talk with some of the actual renter/owners of local houses or property in the area briefly about the new stadium. Most were open to the idea and some were actually afraid they would have to move elsewhere, knowing that the city will try to start cleaning out the area. However, the majority fully embraced the notion and were very happy to see their home team moving in next door. They even went to the extent of saying that they would become small time vendors or sell space in front of their house for parking to make an extra couple of bucks; I assume as long as city ordinance allows that. I also asked about what most would do with the bright lights or noise coming from the stadium during nights. This question really had most people thinking, most of the people said they had not thought of that yet.

### **Cycle of Sports Economy**

Making the argument even stronger, that this new stadium does boost the local economy, I can point out the cycle of how really I feel all of this takes effect. When you think of how all the money actually flows into the local economy, you start with the people who are there. Whether it be ticket holders, vendors, security, police detail, promotional displays/sponsors and any other person who has to do with a game running that day. All of this money being spent goes through them, they all earn salary or checks, which in turn they go spend at local businesses. This is where more jobs start to become available since more money is coming in. Another thought is that the people who make money from other people spending it on their businesses now have a higher revenue from what they are used to. This actually increases their available spending/budget, usually when this occurs more people tend to spend that higher amount then save. You know for a fact if you get some kind of reimbursement or raise in your paycheck, you go out and spend it. By this I am saying, people usually tend to live out of their means as it is already, going with the attitude of, "if I have the money, why not spend it?" Then bringing the second part of my cycle into discussion, you have to take into account all of the people who indirectly boost local economy. This could be the people who watch the games on the television at home, go out to eat for the game, or buy food to watch the game and tailgate from home. These are the people who still go out and spend their money, even if not at the game and still have some small effect of the economic situation. There are so many tiny ways the spending of money with the Marlins in mind grows into one huge movement but, then many questions come into discussion that concern the conservatives or doubters. Like for instance, how did the

Marlins not do this before and how could you be so sure that this new stadium will do that?

### **Misunderstanding the Effect**

Much of past literature done on new stadiums and effects of that on the local economy would suggest otherwise from what I and others seem to think. Taking a glance at a study done by a professor from University of Washington, Bill Beyers, who is claimed to be a expert on economic impact studies. This quick study was done at one of the university's home football games with 250 people taking place in it. From the start as proclaimed in the article, Professor Beyers knew that most of all the people would fail the test. It went accordingly as so:

*" To warm up his audience, Beyers held a "pop" quiz. "I'm going to give you three different percentages for the economic impact of sports on the local economy, and you raise your hand for what you think is the right answer," he said. "Ten percent." (A good number of hands rise.) "One percent." (A majority of hands are held high.) "One-tenth of one percent." (Hardly a hand in the air.) "The correct answer is 1/10th of one percent, and even that is probably overstating it," Beyers told the crowd.*

Putting all this small quiz here into perspective with actual research and analysis done by the professor he states that, *" Looking at new money only, the economic impact of teams such as the Seahawks and the Mariners begins to shrink. In 1995, the football team's out-of-state revenue generated \$66.7 million in local economic activity. The impact of that money amounted to 1,388 jobs in King County. The Mariners' out-of-state*

*funds generated only \$42.9 million and 427 jobs according to a 1993 study Beyers and Conway did for the team."*

He then goes on to bring about his majority point, "*Looking at the sports jobs that are created with new money, there is another hitch. Almost none of these positions are "family wage" jobs. "A major portion are day-of-game and relatively low wage jobs," Conway says, such as parking attendants and food vendors. "It's not a lot of job generation," Beyers says. There are approximately one million jobs in King County. "You don't make public decisions about having enterprises like this in our midst on the basis of job creation."*

### **Past Studies To Prove A Point**

This research here does make on a good argument, but in my opinion it still leaves loose ends for the fact it only measures out the low-minimum wage jobs. I think people making minimum wage eats less away from the economy than not having them work at all; this would then leave to unemployment payments and other unnecessary effects. All I would really like to question is, where are the middle wage and the top base salary jobs? What effect do people with a low based income really do for the economy? In another perspective from Baade, Robert A., Robert Baumann, and Victor A. Matheson they also support that new stadiums and franchises show no support towards local economy in their journal article "*Selling the game: estimating the economic impact of professional sports through taxable sales.*" Using Florida as an actual example, these were some of their conclusions:

*"Five of the sports variable coefficients are statistically significant at the 10% level, but again, roughly half of the signs are in the "wrong" direction. While the NBA expansion in Miami, the 2003 World Series in Miami, and the 2001 Super Bowl in Tampa display a statistically significant positive impact on their local economies, the 2003 NHL All-Star Game and the opening of Joe Robbie Stadium in 1987, both in Miami, produce statistically significant negative results. Of course, with 43 sports variables in the model, one would normally expect four or five coefficients to be statistically significant at the 10% level even if no true correlation between sports and taxable sales existed, so even these statistically significant results must be taken with a grain of salt.*

*In the most extreme cases of exaggerated economic benefits, not only do the results in this paper fail to support the boosters' claims, but these results can actually show that the boosters' claims are demonstrably wrong. For example, in 1999 the NFL reported, "Thanks to Super Bowl XXXIII, there was a \$670 million increase in taxable sales in South Florida compared to the equivalent January-February period in 1998" (National Football League 1999, p. 1).*

*Forgetting for the moment the questionable statistical practice of drawing a conclusion based on a comparison of two years' worth of data, the data do indeed show that the Florida Department of Revenue reported that taxable sales increased by \$640 million in the three-county region, including Broward, Dade, and Palm Beach Counties, in January-February 1999, compared to the same period in 1998. (The \$30 million discrepancy between the official figures and the numbers reported by the NFL is of little significance, except to indicate possible sloppiness on the part of the League.) "*

All of this information putting a total damper on the argument of mine, that in fact the local economy could be affected by this new stadium. The article excerpt basically stating that if any there is any effect at all, it would be short term. The last piece of

information to site in this paper I feel brings this argument to life, making all seem so plausible. For this I go back to Beyers & Conway and him saying that, " *We don't have these teams here just for the economic impact*" and " *There are other, quality of life considerations.*" Furthermore going into this argument he explains his case on this. " *Just as a community supports parks, libraries, zoos and aquariums, it should also support professional sports as a public good, say some advocates.*" This explaining how it joins people together in the community from all "cultural diversities". " *Measuring that value is close to impossible*" Public Affairs Prof. Zerbe an economist states. Also explaining that, " *his field defines a public good as an element the normal market system can't value. Classic examples of public goods are pollution control and national defense.*" *Few public good studies have tried to find the value of sports, he adds. To truly measure the public good, you'd have to track those who are not fans who would nevertheless be willing to keep the Seahawks in Seattle. How much would they be willing to pay?"*

### **Quality of Life**

This brings about the question, in my defense saying that, what happens if a sports team decides to leave and no other plan to have one continue exists? How does this affect the economy when a promising team picks up and leaves? How does the quality of life become in the area's that showed some initiative for becoming more "healthy" I would say? I can only point to what has happened since the Orange Bowl was closed down for good and what it did economically to the surrounding area. Also, that a majority of people would then start looking for other places to be contributing

outside of our local tri-county area. Many questions swirl around with all of this controversy and negative implications backed by many studies and information given by highly accredited professionals.

### **Conclusion**

In conclusion, when examining my own thoughts of how possibly this could affect the local economy by building this new stadium, I came across the arguments of how the rising value of a team due to a new stadium would affect the marketing outcome for the future of the team, which in turn would help bring more fans and business to the local economy. Also, showing what a possible, cycle of events from having the new stadium has a trickle effect on the economy. Lastly, myself seeing a majority of people grateful for this happening and the thought of being able to attract large sporting championships or big events that do have a dramatic effect on local economy for that time. However, the cons did seem almost overwhelmingly convincing, bringing into concern actual numbers of revenue from the State of Florida. With reference to our sports teams and others, making a good case that professional sports in general, much less new stadiums have any real effect on local economy. Also, in smaller studies pointing out the same notion, but where does all of this lead empirically? All this information building up the idea of, how really do you get final conclusive evidence on this matter? In the end, majority would lean to the argument that building a new stadium has an effect that can barely be seen in the local economy, but I for some reason still hold on the possibility that it does have an effect for boosting the local economy. I find this to be extremely humorous, knowing that I dislike the Marlins and all

other home teams here in South Florida. However, this coming from me being a life-long fan of sports and what good I know it brings to communities everywhere. Not having this new stadium built here would have taken baseball away from South Florida and with that being said, this issue is more of just more of an opinion. In my best argument, this is all why I think building this new stadium does have an effect on the local economy.

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