COWS | Equity Sustainability Democracy

PLAYING WITH PUBLIC MONEY IN MILWAUKEE

Data, Context, and Questions on Soccer Stadiums

Authors: Pablo Aquiles-Sanchez & Laura Dresser

AUGUST 2022

PLAYING WITH PUBLIC MONEY IN MILWAUKEE *is a product of the "EARN in the Midwest" project in Wisconsin, a collaborative of COWS, Milwaukee Area Service and Hospitality Workers Organization (MASH), and Kids Forward, devoted to building worker leadership and developing policy resources to raise job quality. Wisconsin's project is part of a broader effort supported by the EARN Network at the Economic Policy Institute and funded by the Robert Wood Johnson Foundation.*

About COWS

COWS is a nonprofit think-and-do tank, based at the University of Wisconsin-Madison, that promotes "high road" solutions to social problems. These treat shared growth and opportunity, environmental sustainability, and resilient democratic institutions as necessary and achievable complements in human development. Through our various projects, we work with cities around the country to promote innovation and the implementation of high road policy. COWS is nonpartisan but values-based. We seek a world of equal opportunity and security for all.

INTRODUCTION

Developers often approach cities disguising their private ventures as irresistible public goods. Asking for public money for sports stadiums and entertainment venues, they promise economic development, urban renewal, and neighborhood revitalization. Despite the big promises, public investments are often neither transparent nor accountable. As a result, securing public benefit from these deals is rare.

Developers have seized soccer's increasing popularity to design soccer stadium projects with ancillary commercial and residential development in urban centers across the nation. As with other urban developments and sports stadiums, the payoffs for communities remain murky at best.

This trend has come to Milwaukee. In May 2022, Kenosha-based Bear Development and Kacmarcik Enterprises released a development plan for an "Iron District" on the southwestern end of downtown Milwaukee. The plan includes a soccer stadium as well as entertainment venues, a full-service hotel, and housing. Reporting in local media outlets revealed the presumptive expectation of Iron District developers for substantial public subsidies for all components of the project.[1]

This report provides Milwaukee residents and political leaders background information and additional context as this proposal is considered, offering an overview of relevant research on the economic impact of sports arenas and information on recent public investment in soccer stadiums in five other cities. A future report will identify ways that Milwaukee policymakers can ensure a focus on transparency, accountability, and public benefit if any deal moves forward for the Iron District.

Milwaukee "Iron District" soccer and theater complex (rendering by Kahler Slater)

Public Subsidies for Sports Stadiums

While sports stadiums are often sold as engines of urban economic development, economic research provides very little support for the claims that developers make about positive impacts in terms of jobs, income, and other economic development measures.

A review from the St. Louis Federal Reserve summarizes economic research of public investment in stadiums, noting how little they impact local economic activity and employment. The article also notes that the opportunity costs of investment are significant and argues that instead of subsidizing stadiums, cities should consider investments in education or infrastructure that are more likely to promote growth.[2]

Similarly, a 2008 paper reviewed 20 years of economic analysis and concluded that subsidies to sports franchises could not be justified on “grounds of local economic development, income growth or job creation.”[3]

As the authors of the 2008 study point out, “Rent-seeking generates powerful incentives for people like professional sports team owners and professional athletes to divert public money into their pockets.”

Consideration of public investment in any sports-based economic development deal should be informed by decades of research on the potential impact of these investments.

“There now exists almost twenty years of research on the economic impact of professional sports franchises and facilities on the local economy. The results in this literature are strikingly consistent. No matter what cities or geographical areas are examined, no matter what estimators are used, no matter what model specifications are used, and no matter what variables are used, articles published in peer reviewed economics journals contain almost no evidence that professional sports franchises and facilities have a measurable economic impact on the economy.”

-Do Economists Reach a Conclusion on Subsidies for Sports Franchises, Stadiums, and Mega-Events? (Coates and Humphreys, 2008)

What is a Tax Increment Financing (TIF) District?

A Tax Increment Financing (TIF) District is a small geographic area that has been designated as a site for new development by a corporation or developer. As soon as development commences, property values go up, and therefore property taxes increase. Afterward, the property tax value is divided into two pools.

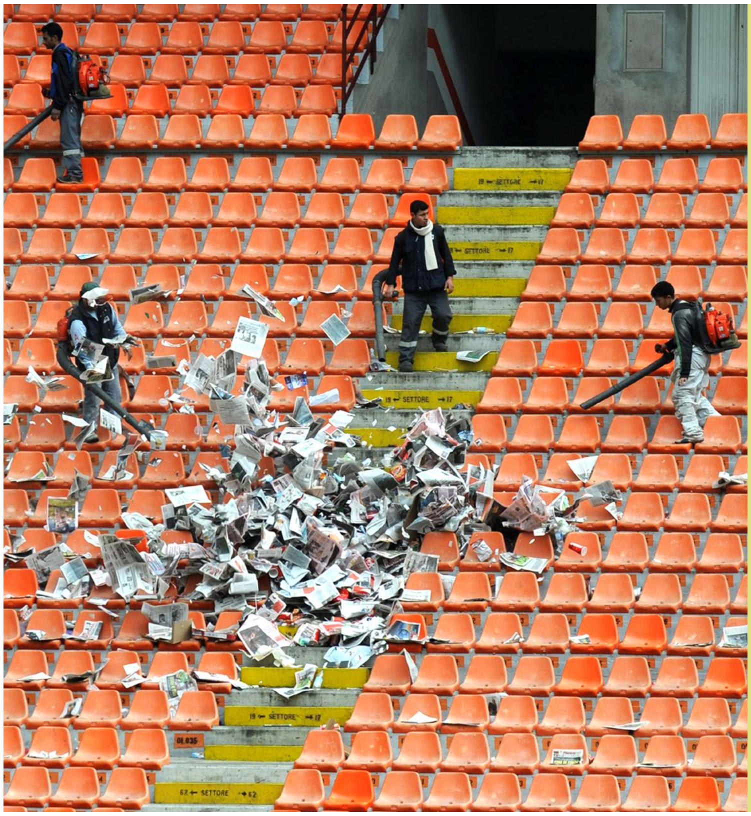
The first pool, or "base value," corresponds to old property value before development. The money from the base value funds typical public works and services: schools, roads, parks, etc. The "tax increment," or the increase in property taxes resulting from higher property values inside the district, however, goes directly toward developing the TIF district (regardless of how much of that increase in value results from the TIF-financed development). Through a variety of mechanisms, municipalities and developers structure the use of the increment, including issuing bonds at the time of project commencement, for use in the development, to be repaid with future (expected) revenues. [4]

In Wisconsin, TIF Districts are established by local units of government.

Five Recent Soccer Deals

Soccer stadiums are relatively new in U.S. economic development deals, so much of the research on the economic impact of sports stadiums does not include them. Nevertheless, when considering the impact of investing public dollars, the results for other sports complexes are likely to apply to these venues as well.

The next page provides some specifics on five recent soccer deals. Saint Louis, Louisville, Pawtucket, Washington D.C., and Nashville have all committed public money to soccer stadiums in the last five years. Taken together, these deals account for more than $500 million of public money invested in private interest. In more than one case, the public investment has grown as development costs have ballooned.



Saint Louis, Missouri (2019)

- Stadium project received $30 million in state tax credit.[5]
- In 2017, Saint Louis voters rejected an initial proposal for $60 million of city funding for construction of the stadium.[5]

Louisville, Kentucky (2018)

- Project financed in part with $30 million city general obligation bond to purchase the land for development, and to do brownfield remediation and public infrastructure improvements.[7]
- Additional funding came from a $21.7 million Tax Increment Financing (TIF) district approved by the Kentucky Economic Development Finance Authority. This includes the stadium and an adjacent mixed-use development, which is set to include, offices, retail, housing, and at least one hotel. Total estimated development value for the entire project is $200 million.[6][8]

Pawtucket, Rhode Island (2021)

- Mixed-use "Tidewater Landing" development relied on a $36.2 million "Super TIF," with $27 million coming from the state and $19.2 million from the city.[9]
- Aside from the stadium itself, the project includes retail, hospitality, and river walk and public plaza elements along with 435 apartments and a parking garage.[9]
- $15 million in state tax credits.[10]
- City committed an additional $10 million by collecting property tax from the developer on the stadium.[10]
- As of July 2022, the Rhode Island Commerce Corporation Board of Directors narrowly approved to shift most of the state's contribution of the TIF – which was originally set to help with the housing, infrastructure, and commercial development – solely to the stadium itself.[11]

Washington, D.C. (2017)

- $150 million of city tax revenue money was committed to covering land and infrastructure costs.[12]
- Additional mixed-use development projects still in the works, including a 463-unit housing complex with ground-floor retail and entertainment space.[12]
- The deal was preceded by nearly two decades of attempts to provide D.C.'s team with a stadium. Notably, in 2009, a proposed stadium development fell through due to a lack of public support from most district officials, including city council.[13]

Nashville, Tennessee (2017)

- $255 million of revenue bonds issued by the Metro Nashville government.[14]
- Additional $50 million general obligation bonds for site infrastructure upgrades and facility improvements.[14]
- Team ownership has agreed to build mixed-use residential and retail sites adjacent to the site, including a 335-unit apartment complex, with 120 units to be reserved for residents earning 60 percent or below the area median income and at least an additional 40 units dedicated to those earning 80 percent or below the area median income. Construction on the apartment complex is projected for 2024.[14]
- Though the stadium ownership team will help the city pay off most of the debt, the city would be obligated to pay off any remaining difference should sales and ticket tax revenue fall short of expectations.[15]

CONCLUSION

Across the country, cities are funneling public money into soccer stadiums and ancillary mixed-use developments. This is the precedent with most large sports arenas, and in recent years the trend has swung in soccer's favor.

Though not much data exists specific to soccer stadiums, ample empirical evidence from other sports venues shows that subsidizing them does not deliver for cities.

Milwaukee faces critical questions regarding the Iron District proposal. The questions that residents, policy makers, taxpayers, voters, and workers need to ask include:

- Are the community benefits that would result from the Iron District commensurate with the public subsidies sought? How can community benefit be guaranteed?
- How will the developers be accountable for the promises of economic development? What mechanisms will ensure that?
- Is taxpayer subsidy for a private development centered on a soccer stadium, entertainment venue, and hotel the greatest priority for public resources in Milwaukee? Is this the priority of constituents for city policymakers?
- Will the project improve or worsen economic inequality, poverty, job quality, and workforce shortages? What steps can be taken to ensure that the project addresses these and does so accounting for racial equity?
- What examples from other developments in Milwaukee and soccer stadium-centered mixed-use projects around the country can strengthen the Iron District proposals?

Milwaukee is still waiting for equitable economic development to support working people in the city. While many projects have been promoted and supported, they generally rebrand the same low-road strategies that provide little to working residents of the city.

Fortunately, Milwaukee policymakers can look both outside of Milwaukee and to Milwaukee's Deer District for models of stronger community benefits. While the evidence suggests that public investment in sports infrastructure has little economic impact, communities can get more if they focus on transparency and accountability in community impact.

The landmark community benefits agreement covering the Fiserv Forum and the Deer District holds promise, as do emerging community benefits and accountability efforts across the nation. A future report from COWS will provide more information on these models.

Works Cited

1. Murphy, B. (2022, June 1). Soccer Stadium WIll Need Public Subsidy. *Urban Milwaukee*.
2. Wolla, S. (2017, May). The Economics of Subsidizing Sports Stadiums. *Page One Economics, Economic Research, Federal Reserve Bank of St. Louis*.
3. Coates, D. & Humphreys, B. R. (2008). Do Economists Reach a Conclusion on Subsidies for Sports Franchises, Stadiums, and Mega-Events? *Econ Journal Watch*.
4. Tax Increment Financing (TIF). (n.d). *Good Jobs First*.
5. Barker, J. (2019, August 25). 'Clearly a better deal': City taxpayers' opposition to 2017 MLS stadium plan worked out in long run. *St. Louis Post-Dispatch*.
6. Menderski, M. (2019, May 23). LouCity FC stadium in Butchertown construction continues, set to open in March. *Courier Journal*.
7. Lerner, D. (2017, October 26). Louisville City FC gets money to build its soccer stadium in Butchertown. *Courier Journal*.
8. Aulbach, L. (2022, January 11). 'That's our team!' Louisville's new soccer stadium scores with Butchertown businesses. *Courier Journal*.
9. Amaral, B. (2022, May 31). As Pawtucket soccer stadium costs roar, RI considers more public funding. *Boston Globe*.
10. Anderson, P. (2022, June 14). Future of Pawtucket soccer stadium development still in doubt after Commerce Board meets. *Providence Journal*.
11. Amaral, B. (2022, July 26). 'This is a terrible idea': Some experts pan Tidewater Landing soccer stadium deal. *Boston Globe*.
12. Goff, K. (2017, February 27). D.C. United just broke ground for its new stadium. That only took, um, a decade or two. *Office of the Deputy Mayor for Planning and Economic Development*.
13. Nakamura, D. (2007, July 21). Talks Fall Apart On Stadium for D.C. Soccer Team. *Washington Post*.
14. Garrison, J. (2017, November 6). Key Metro Council committee votes to endorse financing for $275M Nashville MLS stadium. *The Tennessean*.
15. Williams, W. (2022, May 20). Work starts on Fairgrounds project with $123M price tag. *Nashville Post*.

COWS | Building the High Road

University of Wisconsin – Madison

608.263.3889 | info@cows.org

cows.org