Proximate development: an alternate justification for public investment in major sport facilities?

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As skepticism has grown toward the purported economic impact of major sport facilities on a community, advocates have redirected their justification toward the proximate structural development they stimulate and the social capital emanating from their presence. Analyses in this paper are confined to returns on investment in sport facilities from proximate structural development. Advocates invariably claim such benefits will accrue, but frequently they do not. Based on a review of multiple cases, it is suggested that at the city level an acceptable return is dependent on there being a critical mass of complementary attractions, while at the regional level the requirement is a critical mass of businesses that “feed off” the sport facilities. In the context of mega events, the return may be in the form of environmental rehabilitation, a legacy of long-term usable facilities, or “fast-tracked” infrastructure improvements. In all contexts, success is dependent on the extent to which the sport projects are part of a holistic plan. The challenge of stimulating proximate development is exacerbated by the private facility operators’ goal of capturing all discretionary spending by visitors to their facilities and minimizing visitor spending outside their facility.

Keywords: sport facilities, proximate development, urban rejuvenation, structural capital

INTRODUCTION

All public investments have opportunity costs which are the benefits that would be forthcoming if the public resources committed to a sport project were (i) redirected to other public services or (ii) retained by the taxpayer. Conceptually, for an investment of public money to be justified, it must meet the criterion of “highest and best use”. Advocates may like to think that government investment in sport projects will have a positive economic and/or social impact, but the key question is whether more benefits would be generated from any number of other opportunities such as investment in a local college, public schools, transportation infrastructure, health programs, or incentives to attract other kinds of businesses to locate in the community.

The investment in facilities for teams in the four major US professional sport leagues (NFL, NBA, MLB and NHL) in the past two decades was approximately $37 billion (in 2011 dollars) of which the public sector’s contribution was approximately $20 billion (Howard & Crompton, 2014). It has been demonstrated that in most cases, the direct net economic gains accruing to the taxpaying public from these major sport facilities are small (Baade & Matheson, 2000, 2001, 2004; Crompton, 1995, 2007; Hudson, 2001; Noll & Zimbalist, 1997; Porter, 1999; Rosentraub, 1997). They fall far short of the opportunity costs incurred and, thus, do not justify public investment in them. However, direct economic returns provide only part of the context because total community benefits also include...
enhanced social capital and proximate structural economic development. Thus, analyses of a community’s return on its investment also should include consideration of these two outcomes.

When Jacobs (1961) introduced the notion of “social capital” over half a century ago in her seminal work on the failure of American cities, she conceptualized it as bringing people together so commerce, culture and community would flourish. In more recent years, the concept was further developed in the context of communities by Putnam (1995, 2000), who argued that social networks are not a natural given. Rather, they have to be facilitated by cities through strategic investments in structural development.

Since in most sport projects, the direct economic case is not viable, the viability case has shifted to consideration of the public legacy from such investments. Legacy refers to the sustainable gains that accrue to the people living in a jurisdiction who paid for the facilities. It suggests that rather than the goal being to meet a short-term end goal of direct economic impact, new facilities should be viewed as a vehicle for intentionally accomplishing specified social goals. Thus, an increasing number of decision-making bodies are using the potential of major sport facilities for facilitating social capital as their justification for large investments in such facilities.

When public sector funds are used to pay for capital development and/or operating costs of a sport facility, this can be considered an investment if the tax dollars spent are substantially offset by either additional revenues emanating from proximate structural development it has stimulated or social capital emanating from the existence of the facility. If these gains do not offset the costs, then the public expenditures are merely a subsidy for the private partner.

Proximate structural development and social capital are interrelated. It is what happens as a result of the structural capital investment that determines the quality and quantity of social capital (Rosentraub & Ijla, 2008). For example, where urban rejuvenation or redevelopment is an intended outcome of expenditure on facilities, its effectiveness is measured by the magnitude of its contribution to the quality of life of the people living there, i.e. social capital. Thus, an evaluation of the viability of sport facilities should consider both structural development and social capital. In different contexts, the outcomes will be differentially prioritized. However, given the scope and magnitude of this topic area, the discussion in this paper is limited to structural development. The objective is to analyze multiple cases to identify and describe the conditions which result in proximate structural development occurring from investments in sport facilities.

THE CONCEPT OF PROXIMATE DEVELOPMENT

In the USA, major sport facilities increasingly are justified as anchors for economic development. Either because they are publicly owned, or because property taxes were waived or abated in negotiations with a private developer, most major sport facilities in the USA do not directly generate tax revenues for a city. However, they have become ubiquitous in the downtowns of US cities. The intent is that they will serve as catalysts which stimulate proximate retail, commercial and residential development. This contrasts with the situation in the UK where the modernization of stadia is reliant upon commercial development and planning gain.

While the building of major sport facilities affords cities an opportunity to steer development to a desired location and to “jump start” economic development there, some proportion of the new spending will be substitutable expenditures. That is, if the public amenities and private facilities were
not built in the redevelopment site, either they would have been constructed at another location in the city, or the consumer expenditures made in them would have occurred elsewhere in the city. Indeed, rejuvenation of a district inevitably redirects at least some investments to it that were previously spent in other city outlets. Thus, it is the marginal economic impact reflecting the amount of new money entering the local economy that should be the criterion used to measure the economic success of a downtown rejuvenation project.

Major sport projects sometimes result in the displacement of poorer people living in the cities. Government investments of structural capital to upgrade neighborhoods are intended to strengthen a city’s tax base through attracting wealthier residents to the targeted area, and the higher end retail stores that service them. There is a Machiavellian rationale related to image enhancement that supports these kinds of actions. Sport in cities traditionally has been associated with the urban working classes. It has been suggested that this is “hardly the image that would be deemed to attract the ‘right sort of people’ to cities which already possess enduringly strong working-class reputations” (White, 2001, p. 131). The increasing gentrification of sport effectively removes the working classes from the scene, replacing them with wealthier clientele. It is believed this is likely to attract more affluent entities from the business and tourism sectors which, in the eyes of some, contribute to upgrading and enhancing a city’s image.

Low income renters who typically are unskilled and unemployed workers, often recent immigrants and single parents, with no ability to politically influence the process, are likely to be displaced as property values rise. What happens to them? Do they move to other areas of the city, migrate to other communities, or become homeless? The challenge of accommodating their needs remains.

Notwithstanding these reservations, advocates argue that expenditures on these sport facilities represent investments not subsidies, because the proximate development will produce higher revenues for public jurisdictions from income, sales and property taxes that will be sufficient to repay the initial public investment in the sport facility. The public sector intent is:

To create lively, convivial downtown spaces that promote a street-fair atmosphere as well as meet the needs of a button-down business environment for office and commercial space. The intention is that both sets of activities will generate the tax dollars needed to meet a city’s social responsibilities while simultaneously reducing the inventory of dilapidated properties leading to the movement of residences and businesses away from the center city. (Rosentraub, 2008, p. 60)

For the most part, this optimistic vision has not been realized. A fairly typical scenario was the catalyst case made to justify the city of Dallas contributing $125 million to construct the American Airlines Arena for the NBA’s Dallas Maverick’s team. An economic impact study projected that the arena would stimulate an additional $412 million in private sector development in the proximate area (Deloitte & Touche, 1997). Seven years after the study and five years after the facility opened, none of the projected development had either materialized or been planned. This caused the city’s mayor to observe angrily: “They show all the pretty watercolors of the private development that they will build once the arena opens and then nothing ever happens” (Cartwright, 2004, p. 105).

In the relatively few cases where investments of capital for major sport facilities have met expectations, it has occurred either because a threshold level of cumulative attraction has been achieved or a clustering of supplier businesses has emerged. In the case of major facilities built to
accommodate mega events, success has been dependent on them being integrated into a holistic plan, rather than there being a myopic focus on the event. These features are discussed in the following sections.

THE PRINCIPLE OF CUMULATIVE ATTRACTION

In cities where this strategy is perceived to have been successful, the sport facilities were not isolated investments. Rather they were part of an overall development plan that led to complementary downtown investments in entertainment, arts and cultural centers. These cities have followed the principle of creating a threshold level of cumulative attraction. This recognizes that a given number of attractions will do more business and create more proximate development if they are located close to each other than if they are dispersed. The emergence of “urban entertainment destinations” has been identified as one of the most significant developments in transforming cities throughout the developed world (Hannigan, 1998).

The cumulative attraction principle states that in order to persuade people to go downtown, so there is sufficient traffic for it to be viable for businesses to locate there, there has to be a critical mass of complementary attractions. This notion was an explicit reason for selecting the Camden Yards site for the pioneering Orioles’ baseball park in Baltimore which was a model others sought to emulate: “The basic rationale for selecting the site was that the presence of multiple attractions would induce more attendance both at Orioles’ games and other downtown attractions than either could generate in the absence of the other” (Hamilton & Kahn, 1997, p. 255). It is untenable to believe that a single facility standing alone, such as a major league baseball ballpark could induce substantial associated economic development, given that it operates only for three hours a day, a few days a week, between May and September. At NFL stadiums the problem is even more acute, since they only host 10–12 games a season. Even when the sport dates in stadiums are supplemented with occasional concerts, the attraction factor is too low to constitute a critical mass. There must be other reasons to visit the area when games are not being played.

Most arenas have a similar problem, but they do have the capacity to host a much wider array of events to supplement the sport dates. However, a small number of arenas, most notably the Staples Center in Los Angeles, are themselves major attractions. The Staples Center has three sport tenants: Los Angeles Lakers (NBA), Los Angeles Clippers (NBA), and Los Angeles Kings (NHL). Together, these tenants typically host approximately 250 events and attract over 4 million patrons.

It is widely acknowledged that “Indianapolis wrote the textbook on using sports and cultural facilities to revitalize its downtown area” (Rosentraub, 2010, p. 94). Appendix 1 to this paper describes how the city’s leadership over a four-decade period not only rebuilt a moribund downtown center, but also kept it vibrant and expanding with a second wave of capital projects to replace facilities built to initiate the rebuilding process (Rosentraub, 2010; Schimmel, 1995).

Two other cities in the USA where public investment to create a threshold level of cumulative attraction is widely believed to have resulted in relatively successful downtown rejuvenations are Baltimore and Cleveland. At the Baltimore Inner Harbor area, in addition to the new major league stadiums for baseball and American football, the city contributed to building the $50 million PowerPlant Live! two blocks of entertainment complex, a convention center and a science center, and it hosts the National Aquarium. Similarly, while Cleveland’s redevelopment effort was highlighted by its
investment in three new facilities at the Gateway Complex for major league football, baseball and basketball franchises, the city also restored the five theaters for the performing arts that constitute Playhouse Square, built the Rock and Roll Hall of Fame and Museum, and constructed the Science Center and IMAX theater.

The principle of cumulative attraction has been similarly prominent in cities where minor league facilities have been a central element in successful downtown rejuvenation. For example:

- AT&T Bricktown Ballpark, home of the Oklahoma Redhawks is the anchor of Oklahoma City’s entertainment district. It sits next to a canal where visitors can ride a water taxi. There is also plenty of shopping, outdoor dining and nightclubs. The whole neighborhood has become a destination.

- Louisville Slugger Field in Kentucky is close not only to the baseball bat museum, but also to the Fourth Street Live entertainment district, featuring a comedy club, music clubs and a Hard Rock Café. “People just pour over there after the game”, said a Louisville Bats spokesman, “Most of the people who come here aren’t coming to see the players. It’s the attractions, the promotions” (Seewer, 2006, p. B1).

Indianapolis, Los Angeles, San Diego, Columbus, and Ohio have all been identified as cities in which sport projects have been an effective catalyst for urban redevelopment (Rosentraub, 2010). A key to their success was that these cities’ investments were concentrated in a relatively small area and they built out from the middle. Revitalization is most likely if the core demographic area of redevelopment is relatively small since this makes it easier to ensure that all buildings and land within the district are developed. This creates an image of success and vitality that contrasts with the previous dilapidated buildings, deterioration and dereliction. In contrast, if amenities are dispersed across a wide area, more resources are required to develop all properties in the district, so there is a risk the final outcome may be that each amenity “is an isolated island of activity in a larger sea of deteriorating properties” (Rosentraub, 2010, p. 252). In short, there is a danger that the legacy may be limited to a set of (perhaps) iconic buildings separated by a vacuum of windswept empty space, isolated from the city around them.

In addition, to the tightly defined geographic district, three other conditions are key features of successful rejuvenations. First, catalyst investments must offer unique experiences. That is, the experiences cannot be replicated anywhere else in the metropolitan area, so there are no direct substitute options. Major sport facilities generally meet this criterion, as do other major entertainments, concert, theater or cultural facilities. Second, these facilities must have convenient parking options or proximate reliable public transportation so suburbanites can easily access them (Rosentraub, 2010). Third, the facilities must be integrated as part of a holistic plan. This point is developed later in the paper.

CLUSTERING

Clustering is a form of cumulative attraction that occurs at a regional rather than a local level. It recognizes that there is a tendency of businesses in any industry to cluster in a particular region in industrial agglomerations because of the symbiotic and complementary relationships among them. Some sports, especially those where cutting-edge technology is paramount to their competitive viability, have stimulated such clusters.

Much of the success of these clusters is attributable to the horizontal networks of informal and formal interactions that develop among companies in the industry.
Although nominally some of them may be viewed as competitors, their leaders frequently share information, problem-solving techniques that face the industry, and socialize together outside the work environment. Hence, there are multiple interactions in a variety of settings so a colleague might become a customer or competitor (Putnam, 2000). These clusters allow for information flows, mutual learning and economies of scale.

For example, the British motorsports industry is clustered within a 50-mile radius around Oxfordshire. The region is known as Motor Sport Valley. The cluster employs over 30,000 people and comprises primarily small- and medium-sized firms with only a handful employing more than 200 people. They constitute a “knowledge community” united by a common set of norms, values and understanding (Henry & Pinch, 2000). The area produces vehicles and equipment for Formula One, Championship Auto Racing, Indy Racing League and Rally cars (Connaughton & Madsen, 2007). The proximate location of these companies results in technological knowledge spillovers that enhance the chances of winning. An empirical study of this clustering concluded: “One of the most important ways in which knowledge is spread within the motor sports industry is by the rapid and continual transfer of staff between the companies within the industry” (Henry & Pinch, 2000, p. 128). Indeed, on average, personnel move every 3.7 years, so there is a “churning of knowledge” (Connaughton & Madsen, 2007, p. 194).

When the America’s Cup Challenge was held in Freemantle, Western Australia, it had the effect on the city of boosting development of both new marine-related industries and non-marine-related high-technology businesses such as computer systems, advanced metals technology, and synthetic fibers. These products were prominently publicized in the Australian media during the prolonged period of years when the media focused upon the America’s Cup. The frequent references to high-technology products and Freemantle created a nexus in many people’s minds and stimulated such development in the area (Newman, 1989).

Similarly, the natural harbors, concentration of population, and affinity of New Zealanders for sailing have combined to create a marine cluster in Auckland. It has grown dramatically in the last three decades, so the annual gross output of marine industries in the area is approximately US $700 million. The core is boat building, but it also incorporates upstream activities such as production of composites, spars and sails, and downstream activities such as refit/maintenance and international sailing regattas (Murray, 2009).

The global horse racing industry has three dominant eque-culture clusters: the Bluegrass Region of Kentucky, the Upper Hunter region in Australia, and Newmarket in England. The Kentucky cluster, for example, centers on the city of Lexington and includes approximately 450 horse farms, the Kentucky Horse Park, the International Horse Museum and the American Saddlebred Museum, the Red Mile Harness Track, and the famous Kentucky racetrack and auctions (McManus, Albrecht, & Graham, 2013).

The Indianapolis Motor Speedway (IMS), Indianapolis Raceway Park, Indianapolis Speedrome and other venues stimulated the emergence of over 400 motor sport-related businesses, employing almost 9000 people, to support the multiple CART, Indy Racing League, National Hot Rod Association, karting, midget and sprint car teams that are based in the city. A major hub of these ancillary businesses is a four block area south of the Indianapolis Speedway known as “Gasoline Alley”, where an impressive array of suppliers, fabricators, chassis builders and engine builders are located. An analysis of the Indianapolis cluster concluded: “The concentration of racing firms in the state enables both individuals and
companies to enjoy the benefits of a highly skilled and mobile work force that moves from company to company as demand changes” (Klacik & Cook, 2004, p. 8) Proximity was viewed as critical because immediate face-to-face feedback from the team of companies striving to improve the reliability or speed of a vehicle is required. Interestingly, the IMS was built with private investment; all subsequent improvements to the facility are privately funded; and it pays its full share of property taxes.

Perhaps the most renowned example of sport clustering is the array of ancillary business that has been spawned by the presence of NASCAR headquarters and teams in the Charlotte area of North Carolina. This is described in Appendix 2 (Connaughton & Madsen, 2007).

**REJUVENATION THROUGH MEGA EVENTS**

Almost all mega event property owners include urban rejuvenation as a prime requirement in the bid specification documents that prospective host cities submit. For example, the London Games bid stated, “By staging the Games in this part of the city, the most enduring legacy of the Olympics will be the regeneration of an entire community for the direct benefit of everyone who lives there” (Candidate file, 2007 cited in Davies, 2012, p. 318). This is given a major weighting among the host selection criteria, because properties recognize the costs of staging mega events are so high they cannot be justified by prospective bidders to their constituencies as investments rather than subsidies without urban rejuvenation being a prominent outcome. The rejuvenation legacy is likely to comprise three elements: (i) rehabilitation of derelict land, decaying industrial sites, or contaminated areas; (ii) a set of new and/or upgraded sports facilities; and (iii) infrastructure improvements.

The site locations of some facilities at most Olympic Games since Munich in 1972 illustrate the first element.

- Munich 1972: Development of a 600 acre derelict site for the Olympic Park.
- Barcelona 1992: Development of a decaying industrial area, including 5 kilometers of derelict port which cut off the sea from the rest of the city.
- Atlanta 1996: Development of a city center contaminated site.
- Sydney 2000: Creation of the Olympic Park at Homebush, the city’s largest brownfields site where the 600 acre area was previously occupied by an armaments depot, a brickworks and an abattoir.
- Athens 2004: Development of the city’s old airport site.
- London 2012: Regeneration of the industrially decayed and economically depressed Lea Valley East London district of Stratford. After 150 years of industrial abuse and dereliction, the river was polluted with raw sewage, and the soil was contaminated with arsenic, lead and a host of other pollutants.

The reality confronting most major cities is that the large acreages required for new sport facilities and ancillary parking are only available at affordable prices at these deteriorated sites. Their redevelopment is expensive, but the civic and ecological benefits from upgrading them may be perceived to be sufficient to justify the expense to constituents.

If facilities built for a mega event are planned with their future utilization as the primary consideration, then they can be an ongoing source of both positive economic impact and social capital. Appendix 3 describes the comprehensive array of viable sport facilities Manchester enjoyed as its legacy from hosting the Commonwealth Games. The key factors in its
success were integration of the sport facilities with other amenities as part of the city’s long-term comprehensive plan, and a clear *a priori* vision of their post-Games role.

If *a priori* consideration for post-event use does not underpin the whole planning process, then the result is likely to be a herd of white elephants, which was the legacy of the Athens Olympic Games. This occurs because mega events are exceptional in terms of both their infrequency and the specialist and immediate demands they make on a host economy. They are alien to the host economy and are unlikely to be a natural “fit” with it, so changes have to be made to accommodate the events. There are limited uses for shooting ranges, velodromes, rowing centers, equestrian courses and the array of other esoteric sport facilities that host communities commit to providing. Diverting substantial resources into constructing and operating a plethora of non-sustainable sport facilities rather than more productive uses, means that mega events have the potential to disrupt rather than enhance a host community’s long-term economic growth.

In the case of mega events especially, the problem of “over-building” may be exacerbated by the substantial regional, state and federal funds often made available for developing facilities. These external entities may want the “biggest, best, most ostentatious” facilities in order to garner maximum prestige and political premium from the event, while the onerous post-event costs of operating them is usually borne exclusively by the cities.

The hubris that too often accompanies mega events was well-illustrated by some of the new stadium construction in Japan when that country co-hosted the soccer World Cup:

- In Saitama, an hour north of Tokyo, the prefectural governor expanded the original seating capacity of its stadium by 50%, to 63,700, gambling that his suburb would win the championship game. Although $640 million was spent, the final game went to Yokohama.
- In Miyagi, a 49,000-seat stadium was built in a remote location accessible from the prefectural capital by taking two trains and a 10-minute bus ride. That showcase cost $585 million.
- In Oita, the 43,000-seat Big Eye cost $464 million. Local tax critics note that the J-League soccer games held in it attracted an average of only 3000 fans (Brooke, 2002).

Integration into a holistic plan involves considering not only the post-event capacity of facilities per se, but also of their effect on existing facilities. If viability of the new facilities is accomplished by cannibalizing the use of pre-existing facilities, then there are no net economic or development capital gains. This was the conundrum confronting the two major stadiums built for the Sydney Games. It appeared their viability could only be achieved by pre-empting events at pre-existing stadiums in the metropolitan area, which were all newly built or extensively renovated in the previous decade and a half (Searle, 2002).

In many cases, hosting a mega event enables cities to “fast track” *infrastructure improvements* that have long been talked about but not enacted. These events appear to accelerate change rather than to initiate it. The event focuses the attention of elected officials and creates a sense of urgency and priority. The commitment and media headlines inherent in a mega event are dynamic forces for driving through projects that might otherwise languish in bureaucratic limbo. Thus, the London Chamber of Commerce opined: “The most enduring reason for bringing the Games to London is that it will create an impetus to raise the capital’s transport infrastructure” (Woods, 2005). Invariably, the expedited time frame is possible because additional
resources originating outside the city from the regional, state or federal governments are mobilized that otherwise would not be forthcoming.

There are real-time constraints that are not postponable. If the infrastructure upgrades needed to accommodate the event are not completed, then the consequences are worldwide criticism; civic ridicule, disgrace and humiliation; and a severely damaged image. Thus, things get done that would otherwise not get done or be delayed. The external pressures lead to the resolution of internal urban conflicts. Inflexible positions among planners, politicians, business elites and residents are resolved either by negotiated compromises or special legislation or regulation. The downside of the expedited timeframe is the potential for irreversible planning mistakes stemming from too little input or suppressing opposition to improvements, especially from less influential stakeholders.

The potential of mega events for upgrading infrastructure was well-illustrated by the Olympic Games in Barcelona, which is widely heralded as the “Regeneration Games”. The city used the Games to implement an imaginative, wide-ranging urban renewal plan that transformed its decaying industrial fabric (Tookey & Veal, 2000). The city was opened to the sea and a run-down coastal area was rejuvenated to include a new marina, leisure facilities and attractive sandy beaches. There was major investment in new transportation systems, including the construction of a coastal ring road; modernization of the port and airport; and restructuring of the city’s rail network. Other major improvements included renovating the sewer system, building residential facilities which served as the Olympic Village, and upgrading the urban technology and communications systems which was necessary in order to accommodate the world’s media. Officials in Barcelona estimated that hosting the Games resulted in 50 years worth of infrastructure being collapsed into an eight-year period at a cost of $8 billion (Daly & Fickling, 2002).

Similarly, the substantial investment in telecommunications infrastructure for the Sydney Olympic Games was an enduring legacy for that city:

The successful handling of the telecommunications aspects of the Sydney Games, not only provided a major boost to the international credibility of the technology providers (coordinated by the national telco – Telstra), but also provided Sydney with a long-term inheritance in the form of significant extensions and enhancements to the City’s fiber optic network. Telstra’s Millennium network included a total of 4,800 km of fiber optic cable, linking 105 locations but focused on a ring between the Sydney CBD and Olympic Park in the city’s inner western suburbs. (Cushman, 2006, p. 107)

From an economist’s perspective, the defining question in ascertaining the success of a mega event in stimulating rejuvenation is: Could these regeneration benefits have been secured at a cost less than, for example, the estimated $20 billion cost of hosting the Barcelona Olympics?

If regeneration is needed, it should be worth doing irrespective of any investment in major sporting events and facilities. The relevant analysis should compare the costs and benefits of achieving regeneration in other ways, to establish which is likely to be the more cost-effective. (Department for Culture, Media and Sport, 2002, p. 68)

**INTEGRATION: A KEY TO EFFECTIVE REJUVENATION**

The aspiration is that sport facilities will serve as “giant embers slowly kindling a fire” (Bullard, 1998, p. 6). However, a major sport facility can only be an effective catalyst for redevelopment if it is part of an integrated, coherent master plan rather than an
ad hoc initiative which it is vaguely hoped may stimulate private retail commercial or residential development nearby. It is widely recognized, for example, that a key factor in the success of the Barcelona Games was their integration into the city’s strategic long-term plan. Similarly, the 1964 Tokyo Games were an integrated element of that city’s 10-year development plan involving road improvements, harbor development, housing and tourism projects, water supply, sewage disposal plants and public health improvements. Relatively little was spent on new sport facilities and the Olympic village, but the improvements included construction of 22 new main highways and two new underground railway lines (Essex & Chalkey, 1998).

Without integration, public expenditures are more likely to be subsidies to wealthy owners of franchises or mega events than justifiable investments. It has been observed: “Too many critics did more ‘hoping’ than they did planning a strategy or establishing partnerships with private capital to achieve success” (Rosentraub, 2010, p. 3). The differing extent to which integration of sport facilities has been carefully planned and executed as part of a holistic approach, explains most of the variability in the effectiveness of sport facilities in accomplishing their catalyst role.

In the past, focus was on building a sport facility. Now the vision typically is broader, and the broader vision is likely to provide more justification for public involvement if it can successfully facilitate additional urban redevelopment. For example, in Los Angeles the Staples Center was completed at a cost of $400 million of which the public sector provided $72 million. However, the public sector was responsible for assembling the land needed for the project and used it as an anchor for transforming a section of downtown Los Angeles. The integrated plan incorporated thousands of residential units and a set of community amenities for nearby neighborhoods in which the private sector invested an additional $2.5 billion in the following 13 years. The resultant tax revenue collected by the city substantially exceeded its investment in the project (Winfree & Rosentraub, 2012).

This broader integrative vision has design implications. A facility cannot be a catalyst for development if it is an island built in the middle of a sea of surrounding concrete car park (Baade & Dye, 1988). This isolates fans from other development, rather than integrating them. If the stadium is intended to stimulate other development, then patrons should be channeled to it through carefully planned corridors to maximize secondary economic activity (Schaffer & Davidson, 1984). Further, the design should build upon and assimilate the character of surrounding structures; otherwise the facility becomes an ugly intrusion on the urban fabric instead of an indigenous component of it. Thus, at Camden Yards in Baltimore; Indianapolis; San Diego; and Columbus Ohio, all viewed as successes, the sports facilities were carefully crafted in terms of their scale (height) and construction materials to ensure they fitted into the neighborhoods (Rosentraub, 2010).

There is not necessarily a natural symbiotic relationship between a sport facility and other kinds of economic activity. Its use is episodic and is interspersed with prolonged “dead time” when the area around it may be deserted. Thus, facilities have to complement daily life in the district. This is why Wrigley Field, a beloved baseball stadium on the north side of Chicago, has been extolled as a prime example of how communities can interact effectively and a model which new major facilities should seek to emulate:

There’s eighty-one baseball games a year there, and it certainly is a natural draw; people all over the world come to go to Wrigley Field, to that neighborhood, but the neighborhood functions quite well the other 280 days of the year when there is
not a game there. Within a five-minute walk from the pitcher’s mound at Wrigley Field, you’ve got businesses, restaurants, schools, churches, convents, and public transportation. There’s a daily life to the neighborhood that exists independently of the ballpark. The ballpark enhances, and vice versa, but the notion of the city is the notion of a place where people live and work and hang out all the time. (DeMause & Cagan, 2008, p. 147)

Many new stadiums do not foster surrounding development because they are not physically interwoven with other components of the urban fabric. Rather, these stadiums are designed for quick entry and exit of suburban fans with automobiles. Even though they are technically inner-city facilities, often their urban integration is limited to supplying parking facilities close to the downtown business district.

THE CONFLICTING GOALS OF PUBLIC AND PRIVATE INTERESTS

It has been pointed out that an integrated plan allows:

the public and private investors to clearly understand a city’s redevelopment goals and what the completed projects will produce [which] helps to create confidence that the dream can become a reality ... [It] enables private investors to determine how a related project that they would create would complement and benefit from the overall strategy and interconnections among all the planned assets. (Rosentraub, 2010, p. 254)

However, while a primary public rationale for investing in major league facilities is for them to stimulate the rejuvenation of an area, major league teams are not in the urban redevelopment business.

In the mid-1990s, the “fully loaded” era of sport facilities emerged in the USA. They were filled with elaborate amenities and seating options designed to create new revenue opportunities: luxury suites, club seats and elaborate concessions, and bars, restaurants and even apartments with a view of the playing surface. Since the start of this era, 77 new or substantially renovated fully loaded facilities have been completed in the USA in the four major professional leagues (Howard & Crompton, 2014).

Prior to this era, it was anticipated that complementary development to service the major sport facilities would emerge proximate to them in the form of restaurants, bars and souvenir stores. Coors Field, the home of the Colorado Rockies baseball team sometimes is cited as an example of this type of catalyst role. It is credited with helping the revitalization of Denver’s Lower Downtown or “LoDo” district. Restaurants, sports bars and sports memorabilia stores opened with Coors Field to serve the over three million fans who attend Rockies games.

However, the new generation of fully loaded facilities means there is now little opportunity for businesses to flourish in a parasitic relationship with major facilities. The facility owners’ intent is to capture all discretionary spending by their visitors on food, beverage, merchandise and the like within the facility, and to minimize the amount visitors spend at businesses in the proximate area outside the facility’s gates. It has been suggested that these new facilities are analogous to European walled cities seeking to enclose all commercial activities and revenue flows within their confines (Siegfried & Zimbalist, 2000), and has been termed the “Disneyfication” of sport:

- When Walt Disney saw that his Disneyland theme park in Anaheim, California, stimulated numerous hotels, restaurants and other recreational values in the proximate area, he determined that in future developments he would capture those revenue streams. This he accomplished when Disney World was developed in Florida. This incorporated all those elements and
captured the complete range of spending associated with the park visit experience. New “fully loaded” sport facilities embraced this strategy (Rosentraub, 2008).

Thus, the pioneering Baltimore Orioles Park at Camden Yards stadium features an outdoor walkway lined with souvenir shops and fast food outlets, but it is within the stadium. As one critic observed, “These guys are supposed to be capitalists and for the free market, but that’s the last thing they want! They want to have a monopoly” (DeMause & Cagan, 2008, p. 144). Given this reality, it is possible that in some contexts, a major sport facility may deter redevelopment of an area, since periodically full parking lots and match day traffic gridlock might have an adverse effect on people’s willingness to visit the area.

Public investment in sport facilities can create a platform for private sector activity, but success is dependent on leadership and investment from the private sector. Integration into a development plan is a necessary condition, but it is not sufficient. It must be accompanied by large-scale private sector investment. The experiences of the large number of cities that have contributed substantial tax funds to fully loaded sport facilities in the past two decades confirm that the likelihood of them successfully anchoring downtown rejuvenation is relatively low. It is only the exceptional city that has accomplished this. A business and civic leader in Minneapolis who was instrumental in bringing professional sports to that city observed:

The argument about economic development has been attempted here, but it’s never proven to be true. I don’t think it is a strong argument. Do businesses open up because they want to be near a stadium? I don’t think so. People go to a stadium for one single purpose, to go to a game. They are not going shopping. There has been no economic development around the Metrodome. (Eckstein & Delaney, 2002, p. 240)

He was acknowledging that when the Metrodome was constructed, promises of economic development and selling lucrative development rights to the parcels of land around the dome were made, but in subsequent decades there was no economic spin-off in the surrounding area.

The ideal situation is to secure this commitment during initial negotiations with private partners seeking public funds. The potential of this strategy was demonstrated in San Diego’s negotiations with the Padres regarding the city’s investment in PETCO Park baseball stadium:

• The team were appointed master developer of a dilapidated 26-block area around the stadium. They guaranteed to generate a sufficient level of private investment from this area to yield the property taxes needed to pay the annual payment on the bonds the city issued to pay its share of the facility. The formal agreement stated, “The Padres and its Master Developer will have an additional 24-month period of time after Opening Day to have on the tax-rolls projects with an assessed valuation of at least $311 million.” They also promised to develop 850 hotel rooms to generate hotel taxes that the city would use to pay off some of the bonds.

When the ball park opened, 744 hotel rooms had been completed and the Padres claimed that higher than planned room rates would compensate for the tax lost on the 106 uncompleted rooms. Six months after the park opened, there had been $1.2 billion in private investment in the 26-block area; and the Padres arranged at least $600 million of it. Thus, development exceeded the guarantee by 400%. The team owner personally benefited from the associated development, as his development company purchased much of the land in the area that was built...
on. Nevertheless, there is universal recognition that redevelopment of the downtown area anchored by the ballpark has been an impressive success, generating a positive cash flow for the city (Hitchcock n.d.).

**CONCLUDING COMMENTS**

As it has become apparent that public investment in major league and mega event sport facilities rarely can be justified in terms of direct net economic impact, attention has turned to the benefits from proximate developments that these facilities may stimulate. These developments comprise the built sport facilities, complementary development associated with them, and physical infrastructure improvements that they stimulate.

To this point, much of the effort in measuring the influence of sport facilities has focused on their economic, social and environmental impacts. However, the economic measure typically is limited to economic impact of attendees and does not address the broader issue of the impact on a community of associated structural investments (see, for example, www.eventIMPACTS.com sponsored by Visit Britain, UK Sport and others). This paper contributes to filling the gap. Further, it is suggested that these structural investment impacts may be viewed as output measures that influence social capital which is the ultimate outcome measure of interest.

Throughout the world, political leaders are required to justify to their constituents the opportunity cost of their spending substantial public funds on mega events and facilities, while critical social needs go unmet. In the US context, this imperative focuses on sport facilities for professional franchises, since in the last two decades approximately $20 billion of public money has been spent on these facilities (Howard & Crompton, 2014). Given that the claims of direct economic benefits from such facilities have been widely exposed and acknowledged as specious, advocates are now likely to focus on the proximate development the investment stimulates and its contribution to economic development. This emphasizes the potential catalytic effect of the facility in stimulating retail, commercial and residential development, and physical infrastructure improvements that they stimulate.

Business elites are likely to have a vested interest in major facilities being developed. This includes firms such as banks, real estate developers, elements of the tourism industry like hotels and restaurants, legal firms, insurance companies, construction firms, and potential suppliers of merchandise, equipment and other services, and materials. These business leaders have recognized the increased public skepticism of economic impact claims, and the growing awareness that there are alternate projects in which the hundreds of millions of public dollars invested in major sport facilities would yield a higher return. Thus, their advocacy now tends to focus on the associated development benefits that may accrue from the project.

As the debate has shifted, it has been suggested the hyperbole that characterized many economic impact analyses is now a feature of arguments proclaiming the associated development benefits of major sport facilities (Eckstein & Delaney, 2002). The discussion in this paper has sought to provide an overview of these arguments. While it has focused primarily on mega events and major league franchises in the USA, most of the principles are likely to apply to major sport facilities and events in other countries and contexts.

Increasingly, advocates of major sport projects claim they will stimulate associated development, but the performance of most of them falls short of the expectations they create. In some cases, this may reflect a mischievous strategy where there was never serious intent to follow through once public
funds had been committed to the project. In other cases, failure may be attributable to a lack of understanding of the ingredients necessary for success. This paper suggests that in the case of facilities developed for professional sport teams, those ingredients at the city level are a critical mass of complementary attractions, while at the regional level the requirement is a critical mass of businesses that “feed off” the sport facilities. In the case of mega events, a return on investments may be in the form of environmental rehabilitation, a legacy of long-term usable facilities, or “fast-tracked” infrastructure improvements. In all of these contexts, investments in sport facilities will only be effective if they are part of an integrated coherent master plan.

REFERENCES


APPENDIX 1

The renaissance of Indianapolis

Indianapolis is most often cited as the city which most effectively used sports as a central focus for rejuvenation. It was a model which officials in many other cities sought to emulate. The city was the eleventh largest city in the USA in 1980, but the only thing people thought of when Indianapolis was mentioned was its annual 500-mile auto race. The novelist Kurt Vonnegut who was a native son, when appearing on The Tonight Show famously commented that the city was a cemetery that came to life for one day each year for the Indianapolis 500 and then fell back comatose for the other 364! The city was derisively nicknamed “India-no-place” or “Naptown”. Indeed, the principal of a consulting firm commissioned to conduct a national survey to understand the perception of the city’s image, commenced his presentation to political leaders by saying, “Gentlemen, the good news is your city does not have a bad image. The bad news is it does not have a good image. In fact, to many people in the country, Indianapolis has no image at all.” The city was simply unknown to many Americans.

The downtown core of the city was dirty and filled with vacant, dilapidated buildings. Like many other old industrial cities, Indianapolis’ businesses and residents had moved away from the central business district. The Director of the Indianapolis Department of Metropolitan Development recalled that in the late 1970s, the emptiness of the city led to some interesting Sunday afternoon excursions for local Jaycees (escorted by police):

They were downtown with shotguns and bags, shooting pigeons. If you can imagine a downtown so desolate, there were roving guys with shotguns. We had nothing downtown. If our goal was to create a city nobody wanted to live in, we’d done it.

To address this desolation, a plan was developed by elected officials, business leaders and the major philanthropic institution in the city to collaborate and use sport as the central foundation upon which to build an amenity infrastructure for the downtown area, but it was to be accompanied by investment in other complementary live entertainment facilities. The city’s central demographic location, both within the state of Indiana and in the USA, was perceived as an asset. The goal was to turn Indianapolis into the “Sports Capital of the USA”. It was anticipated that this would stimulate downtown redevelopment and provide a positive image and national identity for the city.

It was a comprehensive strategy. It commenced with recruitment of NBA and NFL franchises (Pacers and Colts) which with the existing Indianapolis 500 race provided a good foundation for implementing the vision. These were key anchors. When the city persuaded the Baltimore Colts franchise to relocate there, the Mayor of Indianapolis commented:

“I was saying for eight years we were in the process of becoming major league; now we can say, I think without grandiose pomposity, that we are a major league city.” On another occasion the Mayor reiterated this theme: “Yes sir, we’re going all the way now. It’s a wonderful thing for our community. It’s a boost to the city’s image nationally and to local morale as a symbol of major league status… We want people to sit up and say ‘By gosh, that city has a lot going for it.’”

Successfully luring the Colts was a key to the success of Indianapolis’ sports strategy. However, the sport plan was much more ambitious since it extended to amateur sports and attracting a continuous flow of major sporting events. The vision was to create a vibrant downtown area through sports which would encourage other companies and residents to move there. There were
existing institutions there to build around: Indiana University Medical Center; the 27,000 enrollment Indiana University-Purdue University (IUPUI) campus; a large private sector employer (Lilly); government facilities employing thousands in state and local government; and the Hoosier Dome which was built for the NFL team, but also was part of the Indiana Convention Center.

To persuade amateur sports organizations to consider moving their headquarters to Indianapolis and locating their championship events there, the city built a new track and field stadium, tennis center, and state-of-the-art natatorium on the IUPUI campus; a velodrome; and championship standard facilities in other parts of the city for soccer, rowing, archery, ice skating and golf.

In the following decade, after the Colts arrived, two dozen sports connected organizations, including one international and seven national sports governing bodies, established their headquarters in Indianapolis: The Indianapolis sports movement captured widespread attention. It was complemented with investment in a number of cultural centers that were renovated or built to complement the sport facilities and ensure the downtown area was a year-round attraction. These included: The Indiana Theater, home of the Indiana Repertory Company; the Circle Theater for the Indianapolis Symphony; the Indianapolis Zoo and Botanical Gardens; the Eiteljorg Museum of American Indian and Western Art; an IMAX theater; the County Public Library; and new homes for the Indiana Historical Society and the Indiana State Museum.

Between 1974 and 2008, nine major sports facilities were built. These are shown in the following table:

<table>
<thead>
<tr>
<th>Facility</th>
<th>Description</th>
<th>Opened</th>
<th>Replaced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Square Arena</td>
<td>Indoor arena for Indiana Pacers; capacity 16,530</td>
<td>1974</td>
<td>1999</td>
</tr>
<tr>
<td>Tennis Center</td>
<td>Seating capacity 10,000</td>
<td>1979</td>
<td></td>
</tr>
<tr>
<td>Track and Field</td>
<td>Seating capacity 12,111</td>
<td>1982</td>
<td></td>
</tr>
<tr>
<td>Natatorium</td>
<td>Championship pools; capacity 5000</td>
<td>1982</td>
<td></td>
</tr>
<tr>
<td>Hoosier Dome</td>
<td>Indoor stadium for Colts, other events, conventions; capacity 57,980</td>
<td>1984</td>
<td>2008</td>
</tr>
<tr>
<td>Fitness Center</td>
<td>Training and fitness center for all athletes, public</td>
<td>1988</td>
<td></td>
</tr>
<tr>
<td>Victory Field</td>
<td>Minor League Baseball Park for Indianapolis Indians; capacity 15,000</td>
<td>1997</td>
<td></td>
</tr>
<tr>
<td>Conesco Fieldhouse</td>
<td>Home for Indiana Pacers, other events; capacity 18,345</td>
<td>1999</td>
<td></td>
</tr>
<tr>
<td>Lucas Oil Stadium</td>
<td>Domed stadium for Indianapolis Colts, NCAA Championships, other amateur sports events; conventions; events; capacity 63,000 (expandable to 70,000)</td>
<td>2009</td>
<td></td>
</tr>
</tbody>
</table>
These data show that the city’s commitment was $2.54 billion, while the total investment in downtown Indianapolis during this period was $8.32 billion. Thus for every dollar the city invested, it leveraged $2.25 from other stakeholders. The city’s success has been lauded by the national and international media which have carried a plethora of glowing reports about the city’s transformation from “India-no-place” to “the state of the snowbelt”, which was the title bestowed on it by an article in the *Wall Street Journal*.


### APPENDIX 2

**The industrial cluster stimulated by NASCAR**

The cradle of stock car racing was the southeastern region of the USA. Most of the NASCAR race was staged within this region, Charlotte became the primary NASCAR team location because it was centrally located and, thus, minimized team transportation costs. During the past two decades, NASCAR expanded out of its traditional geographic regions and grew to be the second most popular sport watched on television in the USA. NASCAR’s and the motor sports’ industry’s growth in North Carolina has been driven by six major factors: (a) the creation and growth of the NASCAR Craftsman Truck Series; (b) the rapid growth and increasing popularity of the NASCAR Busch Series; (c) the NASCAR television package which increased national exposure and built the NASCAR fan base; (d) the open-wheel sanctioning split, which shifted many fans to NASCAR sanctioned racing; (e) the construction and promotion of new tracks across the country hosting NASCAR sanctioned races; and (f) the rapid increase in the cost of major sponsorships for companies wishing to identify with NASCAR teams.

As the sport expanded, many southeastern races disappeared and were replaced by venues throughout the USA. As a result, Charlotte, North Carolina, no longer represents the geographic least-cost transportation center for the series. However, the Charlotte area remains home to most NASCAR teams because the region had developed a specialized labor pool, a well-developed supplier chain, an infrastructure in the form of race tracks and testing facilities, and a culture of stock car racing. These factors still provide the teams that are located in Charlotte with a significant cost advantage in obtaining highly qualified specialized labor, a specialized parts industry, access to testing facilities and knowledge spillovers. At least 50 NASCAR teams have their home base there:

If you need it for racing, somebody makes it somewhere in town. The infrastructure is here to support racing. Parts suppliers,
machine shops, coating companies. If you go any place else in the country and try to do this, you’re going to be FedExing stuff back and forth every day. (Spanburg, 2001b, p. 25)

The North Carolina cluster includes race car construction, engine manufacturers and specialist supporters, but it is also comprised racing-specific businesses that are not engaged in producing race cars or parts such as specialized sport marketing, souvenir manufacturing and retailing, television production, and other motorsports-related activities. The cluster’s aggregate annual direct expenditure in the North Carolina economy is $3.8 billion which represents over 1% of all direct spending in the state. The employment impact consisted of 14,300 direct jobs, with the primary employers being NASCAR teams (4445 jobs), suppliers (2050 jobs) and marketing sector (1768 jobs).

Indicative of NASCAR’s widespread indirect impact on the state is its role in the development of Concord Regional Airport. NASCAR and the nearby Lowe’s Motor Speedway are primarily responsible for its development, since 40 planes belonging to race teams are based at the airport. Those planes purchase $4.5 million worth of airplane fuel a year at Concord airport. When the Speedway hosts its three annual Winston Cup events, the airport traffic grows much heavier with sponsors and fans bringing in their planes. The NASCAR connection has created a community asset, because without it the airport would not be a viable enterprise (Spanburg, 2001a).


**APPENDIX 3**

**The sport city legacy of the Commonwealth Games in Manchester, England**

Manchester’s cotton mills were at the heart of the industrial revolution in the nineteenth and early twentieth centuries. These were supplemented by heavy engineering works and transport, chemical and other manufacturing plants. In the post-World War II years, its industrial base eroded so in the last two decades of the twentieth century, the city sought to reposition itself as a business and tourism destination. Manchester’s successful bid to host the Commonwealth Games was part of its 25-year plan to rejuvenate the city. The Commonwealth Games ranks as the third largest sporting event in the world after the Olympics and World Cup, involving 72 countries in 17 sports.

The core strategy was development of an impressive array of publicly funded attractions and much was accomplished in the 1980s and 1990s. Its airport was expanded and emerged as a major European hub. It served the North and Midlands of England via a well-developed freeway system and excellent rail links. A 20,000 seat arena hosted an impressive number of concerts and an international convention center was built. The city art galleries emerged; two live theaters were renovated; the Imperial War Museum of the North was opened; and the futuristic architecture of Urbis, the museum of the city, became a noted landmark.

In 1996, an IRA terrorist bomb devastated the city center. There were no fatalities, but over 200 people were injured and insurance pay outs for property damage exceeded $1.5 billion. However, from this adversity came a rebuilding investment of over $2 billion in the next four years creating a host of new stunning cultural and commercial structures that complemented the city center’s majestic Victorian architecture.

The city’s intent was to use the Games to create its “sportcity” which would complement the vibrant cultural amenities. Already it was home to the world’s most famous soccer club, Manchester United, and its lesser known Premier League rival, Manchester City (by 2012 Manchester City...
had been transformed from an “ordinary” Premier League team to join United as one of the world’s top five soccer clubs). In addition, the city had constructed a world-class velodrome and established it as the National Cycling Center.

Most of the Sportcity facilities were located in East Manchester at Eastlands on a brownfield site which was designated an urban regeneration area, characterized by large numbers of derelict and abandoned houses. It comprised the following elements:

- The City of Manchester Stadium – Originally a 38,000 seater athletics stadium, it was converted into a soccer ground after the Commonwealth Games. It became the home of Manchester City FC and had an increased capacity of 48,000.
- The Regional Athletics Arena – A £3.5 m 6000 seater stadium constructed around the Commonwealth Games warm up track and training area. The arena was used for domestic and international track and field meetings. The stadium was also the base for the famous Sale Harriers track and field club.
- The National Squash Center – It had seven squash courts and world-class facilities. The center was the new home of England Squash, the sport’s national governing body.
- The National Tennis Center – consisting of six indoor courts, six outdoor courts, and a junior court.
- A £32 million Aquatics Center – the only swimming complex in the UK to have two 50 meter pools. Also the regional high performance center for elite swimmers.
- Bolton Arena, comprising indoor and outdoor tennis courts, a 400 meter athletics track, plus football, basketball and netball pitches. The arena is the Lawn Tennis Association’s North West Regional Tennis Center. Its Sport Science and Performance Unit has state of the art sports science and sports performance testing facilities.
- The redeveloped Belle Vue Leisure Center, east of the city center. This facility boasts of two water-based hockey pitches, eight badminton courts, and a cricket academy. It was designated as the Regional Performance Center for both hockey and badminton. Both the girls and boys Under 16’s and Under 18’s England hockey squads use Belle Vue as their training base.
- A £1 million lawn bowling complex was built at Heaton Park in North Manchester. The park has four top grade flat greens. The venue was conferred national status by the English Bowls Association and is home of the Manchester Commonwealth Bowling Club.

These facilities were designed for their post-Games purposes and have resulted in both substantial economic impact from the hosting of numerous national and international sports events, and social capital for the city’s residents.