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Sacramento Is Fresh Victim of Bad Stadium Deals

By Steven Greenhut - Apr 16, 2012

Officials in [Sacramento](#), California, are furious that the owners of the Kings basketball franchise, the Maloof family, said they are backing out of a handshake deal in February to invest \$73 million in a project to build a new arena downtown.

This publicly funded stadium issue has raged in cities across the U.S., including Indianapolis, where the highly subsidized [Lucas Oil Stadium](#) was host to this year's [Super Bowl](#), and [Minneapolis](#), as Minnesota legislators ponder a deal to build a [new football stadium](#) for the Vikings.

But the story in California's capital, a city of 2 million with a perennial inferiority complex borne of being overshadowed by the Los Angeles and Bay Area media markets, is not about the details of the deal or the wiles of mercurial owners of National Basketball Association teams. It's about the foolishness of city officials who pin urban renewal hopes and taxpayer dollars on sports complexes despite the public's declining willingness to pony up the cash.

News articles over the weekend quoted fans who feel betrayed by the [Maloofs](#), but these feelings are hard to quantify. Some residents are no doubt upset, but others openly question whether this is the best use of public resources, especially at this time. Although the economy isn't as bad in [Sacramento](#) as in some other [California](#) locales, it's still depressed, and city finances are stressed.

Overblown Estimates

At the news conference last week in [New York](#) announcing their decision to abandon the plan, the Maloofs deferred to an economist, [Christopher Thornberg](#), who argued that the city-backed deal was based on a "wildly overblown estimate of the kind of revenue value this arena will bring to the city." He said the project "would really put the city right on the edge of potential fiscal disaster." The Maloofs' lawyer said revenue projections were based on boom years when the now-lowly Kings were in the championship hunt.

Economists have long understood that new arenas and sports stadiums rarely bring new economic activity into a city, but merely move entertainment money around the region.

"Economic growth takes place when a community's resources -- people, capital investments and

natural resources like land -- become more productive,” wrote the economists [Roger Noll](#) and [Andrew Zimbalist](#) in a still-quoted 1997 [Brookings Institution](#) study. “Building a stadium is good for the local economy only if a stadium is the most productive way to make capital investments and use its workers.”

That situation almost never is the case. These deals are not about economic growth, but civic pride. Last year, after the Maloofs announced their planned move to Anaheim, in [Southern California](#), Sacramento Mayor [Kevin Johnson](#) talked about the need to keep the franchise to help Sacramento become a “world-class city.” But as I wrote in a column in the Sacramento Bee at the time, “Second-tier cities believe that professional sports put them on the map, although all they do is provide some unexceptional entertainment and enrich team owners, who cleverly manipulate the local inferiority complex to gain arena subsidies.”

Sacramento officials spent their time and squandered taxpayer money on such dreams, while neglecting the nitty-gritty of municipal government -- a negligence that shows throughout city neighborhoods.

The response to the column was overwhelmingly positive, from people who understood that Sacramento is a perfectly nice place to live, but that keeping a sports team in town will never help it become a destination city.

Maloofs' Strategy

Residents, apparently, are savvier than their leaders. “If the Maloofs had wanted to embarrass Sacramento on a national stage, they brilliantly succeeded with the televised Manhattan press conference they orchestrated Friday,” [the Bee editorialized Saturday](#). “But along with anger, Sacramento should show a little humility. We’ve seen this switcheroo from the Maloofs before. As the idiom goes, ‘Fool me once, shame on you. Fool me twice, shame on me.’”

Yet Sacramento civic boosters will continue to be played as fools until they realize that the Kings are no more important to the local psyche than any other business franchise. Sacramento, a government town where state workers flee the city center at 4:30 p.m. every day, has myriad obstacles to the creation of a vibrant downtown nightlife scene. Blocks from the planned arena, the main shopping plaza is practically a ghost town.

Despite decades of subsidies, the main drag through downtown, the K Street corridor, is known mostly for vacant storefronts and vagrants. An arena won’t fix these problems. Last week, the [California Redevelopment Association](#) -- the group that had championed a subsidy-driven economic development model throughout the state -- announced it would be shutting its doors after those agencies were shut down by the Legislature and governor.

Yet in the same week its former leader, [John Shirey](#), now Sacramento city manager, criticized the Maloofs' economic analysis. Maybe the redevelopment administration's shuttering is a reminder that it's time for cities to embrace economic- revitalization models based more on market incentives than on City Hall subsidies and directives.

Officials in California's first-tier coastal metropolises need to learn these lessons, too. [Los Angeles](#) civic leaders are pushing a downtown stadium proposal despite the obvious traffic issues, while a competing group is offering a plan on the eastern edge of the San Gabriel Valley.

In [San Diego](#), officials continue to promote an atrocious taxpayer-funded stadium deal to keep its football team, the Chargers, from heading to Los Angeles or elsewhere, but they don't seem to be getting much traction either.

Perhaps city officials everywhere will always be lured by the promises of big-league sports franchises. In that case, public skepticism is the best way to keep taxpayer dollars safe.

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