The Economic Value of a Proposed Football and Multi-Purpose Stadium and the Dallas Cowboys for Arlington, Texas

A Study Written for Americans For Prosperity Foundation - Texas

Leading analysts Mark S. Rosentraub
Dean and Professor
Maxine Goodman Levin College of Urban Affairs
Cleveland State University

And David Swindell
Associate Professor of Public Administration
Department of Political Science
The University of North Carolina at Charlotte

October 21, 2004

Introduction

One can very easily understand why many people believe that the mere presence of a professional sports team and a new stadium in a city will lead to substantial economic gains for a community. Professional sports in America are both a healthy and vibrant industry and a fixture of social life. Teams like the Dallas Cowboys can attract in excess of 700,000 people to their games each year while attracting substantial attention from the media and generating a national and international image for a region. With ticket prices of more $60 to each game now common and luxury suites costing at least $100,000 to rent each season, the gross revenues of teams like the Dallas Cowboys are in excess of $200 million.[1] In addition, facilities with retractable roofs similar to the one proposed for Arlington can be expected to host numerous other events generating millions of dollars in additional spending by fans, teams, and the media that broadcast and report about such events. The annual attendance at events at a new retractable dome stadium in Arlington, Texas could approach 1 million and the facility could serve as a potential site of a Super Bowl and host the NCAA's Men's Final Four basketball championship. The presence of either or both of these events in Arlington will generate immense media coverage and economic activity in the Dallas/Fort Worth region.

The expected economic development from sports facilities and teams has encouraged community leaders across North America and Western Europe to argue for public investments to insure that teams locate within their cities and that the communities build state-of-the-art facilities. Understanding if and how much sports facilities and teams add to a city's economy has become even more critical as public investments in new stadiums and arenas frequently involve several hundred million dollars. With commitments of 30 years needed to fund the hundreds of millions of dollars invested, the leaders of cities

[1] *Forbe*s magazine estimates the annual gross revenues of the Dallas Cowboys to be $205 million yielding a current valuation of $923 million. *Team Marking Report* has projected average NFL ticket prices of $54 for the 2004 season excluding the extra costs associated with club seats and the seats in luxury suites. If those fees are included the average cost for a ticket in most football stadiums would be in excess of $60 excluding charges for parking and food and beverages.

investing tax money need to know if their commitment generates any real economic return for their residents and the businesses located in their community.

The Dallas Cowboys and the City of Arlington, Texas are the latest partners in an American metropolitan area to ask voters in a single city to support a public investment of $325 million in a new stadium. The Cowboys ownership and city leaders are asking Arlington voters to impose a set of taxes on consumption within the city (an increment to the general sales tax, a tax increment on short-term stays in hotel rooms, and a tax on the short-term rental of cars), a tax on tickets sold to events in the new stadium, and a tax on parking cars at the new facility to build a new football stadium with a retractable roof.

In order to provide information to voters about what this investment would bring to the city, local officials contracted a firm to conduct an economic analysis. "Economics Research Associates was retained by the City of Arlington, Texas (City) to evaluate the economic and fiscal impacts related to the construction of the proposed stadium in Arlington and the operations of the Dallas Cowboys (Cowboys) of the National Football League (NFL) and other stadium events" (Economics Research Associates, 2004: 1).[2] Their report attempts to assess the economic impacts associated with the building of the new stadium, the facility's annual operations, the Cowboys' presence, and the hosting of mega-events including college football games, a possible Super Bowl, and college basketball tournaments. In the Executive Summary, the firm concludes: "The construction of the proposed stadium and the operations of the NFL franchise as well as other annual events are anticipated to generate significant economic impacts in the City and County" (Economics Research Associates, 2004: 1).

Does this economic impact translate into a substantial return on the investment by Arlington taxpayers?

[2] This report is available on the City of Arlington's web site (http://www.ci.arlington.tx.us/citysecretary/election.html).

The purpose of this report is to answer that question. In short, the answer is no. There will be no substantial returns on this tax investment for residents of Arlington, the City of Arlington, or businesses located in the city. **Taxpayers will actually lose more than one-quarter of a billion dollars if voters approve the November 2nd ballot measure**.

How can the large economic impact forecasted by analysts at Economics Research Associates not be associated with similarly sized returns on this large investment of public resources? Just like any other investor, taxpayers and community leaders need to have a good estimate of how much they will earn when they make an investment. They cannot be distracted by the impact of their investment (money spent) but need to focus on the return their investment engenders (changes in wealth). As often happens in the familiar refrain of city-team negotiations over new playing facilities, public attention is focused on economic impacts and not on real increases in wealth (economic development) that the public investment will create for investors (taxpayers).

Economic impact is not the same as economic development (or value reflecting the return on an investment), but frequently taxpayers might believe that what is reported as an impact translates into economic development (changes in wealth). Cities, after all, invest in sports facilities to enhance both their local economy as well as a community's image. If either of these goals were not achieved, then the return on an investment of $325 million would not be realized.

This report projects the economic development returns that Arlington can expect from the team's presence, the periodic hosting of special or mega-events in Arlington, Texas, and a new facility. In order to estimate fully and clearly the economic *development* value of the current plan facing Arlington voters and augment the analysis of the economic impact performed by Economics Research Associates, the remainder of this report is divided into several sections. At various points throughout the report, strengths and weaknesses of the Economics Research Associates study will be highlighted and taken into account where errors might confound an accurate projection of the economic development value of this investment option. Thus, the next section begins by defining important terms, such as differentiating *economic impacts* (the point of the Economics Research Associates analysis) from *economic development* (the point of this analysis and the issue that voters and public officials need to understand as investors in a stadium), as well as differentiating between benefits to Arlington versus benefits to the region in which Arlington is nested. This analysis also illustrates why economic impact assessments are frequently misinterpreted and why they include projections that do not accurately reflect the return on the public sector's investment.

Following the definition of terms section, the report then examines the economic development benefits from (1) the construction of the stadium, (2) annual operations of the team and facility, (3) tax benefits, and (4) from special and mega events. In each instance, contrasts with the economic impact analysis produced by Economics Research Associates will be provided along with the justification for a focus on economic development or value. A detailed analysis of the location of employment opportunities, hotel rooms, and the generation of tax revenue is provided to project capture rates. These analyses and a review of changes in assessed valuation of property throughout Tarrant County illustrate that no single city can capture the benefits from a sports facility and that projections that Arlington will capture a substantial portion of the spending associated with a new stadium are unfounded and ill-advised.

Operational Definitions

To understand what a new stadium, the Cowboys, and other annual and occasional events at the proposed stadium would mean for Arlington, a clear set of definitions is required regarding the terms used to describe the contribution of sports to an economy.

> "If a team (asks) for a substantial investment from the public sector to build a stadium, the justification for the investment of tax money should involve a substantial economic benefit… unfortunately the numbers frequently reported do not measure economic development or the welfare (value) gains for an economy. The total spending that takes place at a sports facility and by the team, which is the economic impact, is quite different from economic development or welfare (value) gains" (Sandy, et al., 2004: 188).[3]

Economic Impact Versus Economic Development

The economic impact of a given enterprise is a measure of the money exchanged to produce services or provide goods. Measuring this economic activity fails to take into account whether or not the money spent on the investment would have been spent in the absence of the new proposed activity. An economic impact study that accurately measures the exchange and transfer of money does not evaluate whether or not the same spending for other goods and services (instead of a stadium in Arlington) alters the distribution of money for individuals, cities, or businesses in a metropolitan region. Economic impact studies only measure the amount of money that changes hands and leaves readers to assume that the money that is changing hands will increase the wealth

[3] Readers interested in a more detailed description and assessment of the differences between economic impact and economic development should consult any of the following volumes: Robert Sandy, Peter J. Sloane, and Mark S. Rosentraub (2004), *The Economics of Sports: An International Perspective*, London: Palgrave/MacMillan; Rodney Fort (2003), *Sports Economics*, New Jersey: Prentice Hall; John Blair (1995), *Local Economic Development: Analysis and Practice*, Thousand Oaks, California: Sage Publishers.

of a particular city or its residents and businesses. That assumption in the context of a metropolitan area is always erroneous and inaccurate.

Economic *development* analyses begin with an assessment of the amount of money that changes hands, but then seek to determine (1) if invested funds represent new wealth for an area and (2) how much of any new wealth created can be captured by the city (taxpayers) making the investment.

> "The value that communities actually seek when they make an investment in a sports facility – real growth in their local economies – can only be measured by determining the increment in total welfare (value) due to real economic development" (Sandy, et al., 2004: 190).

Economic development is an increment in wealth as measured by higher incomes from new money introduced into a local economy including new taxes that accrue to a city. Money moving from one sector to another sector creates economic impact but no development or new wealth.[4]

The following example using the proposed stadium in Arlington can help to illustrate this difference between economic impact and economic development.

Arlington is responsible for providing $325 million for the building of the facility. To raise these funds, Arlington plans to sell bonds to investors and then to make annual payments on this debt from a series of new or increased taxes. The sales tax administered in Arlington will be increased by one-half percent. The City may also impose a tax on the short-term rental of motor vehicles (up to 5 percent of the cost of rental charges) and increase the tax on of the occupancy of hotel rooms (to a maximum amount of 2 percent).

[4] The movement of money from one form of consumption to another can be recorded as positive economic impact, but that movement reduces other forms of consumption producing and offsetting negative economic impact, and thus no net economic development.

If the stadium were not built, the proposed tax increases would not be needed. In the absence of higher taxes, families and individuals would have more money available to spend on other things. Consumers would still spend the money if the taxes did not exist. Arlington with numerous retail outlets, entertainment facilities, hotels, restaurants, and other businesses related to consumption would be the location for a substantial portion of this spending. Some of the money could also be spent in other cities.

The new taxes change control over the spending of the money from the individual consumer to the City of Arlington and its choice to build a new stadium with labor and materials from Arlington and with workers and businesses located throughout the metropolitan area, Texas, and the nation. In the absence of the tax, individual consumers would buy a myriad of goods and services from Arlington businesses and workers as well as from businesses and workers located throughout the region, state, and nation. The existence of the tax merely transfers the money from the consumer's consumption decision to the tax that is then used to build the stadium. There is no *new* spending or wealth that is created; money is simply shifted from purchasing goods and services desired by an individual to the purchase of materials and labor to be used for building a stadium. [5]

As the money that would be spent by Arlington for the stadium is a transfer of spending from one form of consumption to another, there is an important economic impact, but there is no *new* spending or wealth that is created. The wealth or income received by people employed to build the stadium or who sell products used to build the stadium is offset by the loss of income from those businesses that now receive less money from the

[5] It is also possible that in the absence of spending there would be increased savings and therefore more money available for other investments. Under either scenario – increased savings or static consumption – the basic point is still the same. The tax money to pay for the stadium is already in the Dallas/Fort Worth economy and subject to the same multipliers used by Economics Research Associates (see the following section of the report). Its application to the construction of the stadium creates no new economic value (development or welfare increment) and therefore it is not appropriate to classify this economic impact as an economic development benefit or as a return on the public sector's investment.

consumers who pay the tax. The creation of a set of taxes by Arlington to pay for their share of the new stadium creates no *new* wealth for Arlington's businesses or residents.[6]

The Local Economy Versus the Regional Economy

The differentiation between economic impact and economic development and an accurate projection of economic development is essential when making an investment decision similar to the one before Arlington's voters. Of equal importance is the difference between local and regional economies, since this distinction provides the context for measuring to whom any investment benefits might accrue. For the current situation, we define the local economy as being the measure of goods and services produced within the boundaries of the City of Arlington. The regional economy, on the other hand, represents the larger area of economic activity within which Arlington is situated. The larger regional economy includes Tarrant, Dallas, and other surrounding counties in which the normal exchange of goods and services takes place. Thus, Arlington's local economy is a small but significant portion of the overall regional economy.

This distinction is important and relates to the previous distinction between economic impact and development. As noted, studies of economic impact do not take into account *where* the impact ultimately lies, only that the impact (exchange of money) took place. For purposes of measuring economic development related to an investment option, the taxpayers of the jurisdiction paying the new tax for the stadium investment should expect development (investment return) to accrue to their jurisdiction. And herein lies the challenge for local leaders: there is very little they can do to contain those benefits inside Arlington.

[6] Many economists note that higher taxes can drive down consumption. The sales tax is a consumption tax and Arlington runs the risk of driving regional shoppers away with the new and higher tax rate, thereby hurting non-stadium related businesses. It is possible to drive sales down to a point that the sales tax fails to generate sufficient revenues to cover bond payments. For purposes of the analysis that follows, we *assume* the tax will have no negative effect on retail sales patterns.

Arlington is nested in a highly fragmented metropolitan area. There are almost 200 independent municipalities in the Dallas/Fort Worth metropolitan area. The location for the proposed new stadium is but a few hundred yards from a neighboring (and competing) municipality. The challenge for city officials interested in generating real economic development in their municipality is that the flow of capital does not respect any given city's boundaries. The money spent on the stadium will be used to hire workers and purchase products from the regional market just as if the stadium money were being spent in Irving or Dallas. The amount of economic development that does occur within Arlington will be very small relative to the economic impact. Furthermore, while the region will share in the small economic development that will occur, it will be the taxpayers of Arlington who will be making a substantial portion of the public sector's investment or subsidizing the cost of the stadium. (It is anticipated that some infrastructure and road costs will be supported by Tarrant County. Arlington's residents and businesses will thus pay a portion of the anticipated $25 million investment by the county in addition to the costs of the stadium.)

Later in this report, the extent of this regional integration will be detailed in terms of the location of workers and jobs, but at this point it is sufficient to recognize that when a large corporation or project is developed in one city, workers might live in another city or county. As such, all governments and residents share in the flow of economic development across the region regardless of the specific location of any one firm (or stadium). To be sure, there are *some* revenues that do remain local and as such generate economic development for a particular city, and those have to be projected accurately. This report does that for Arlington through a study of economic development in the following sections.

At this point in the analysis, however, it is important for readers to understand that any funds raised for a stadium through taxes merely transfer economic activity (impact) and create no real economic development for a host city. It would then follow that the $325 million tax-based portion of the stadium's construction cost is already in the Dallas/Fort Worth regional economy. The taxes proposed by Arlington merely redirect that spending from other activities to stadium construction. Just as Arlington benefits from the spending for a new stadium, it also benefits from the already existing (pre-tax) pattern of expenditures by consumers. Redirecting that spending through the proposed taxes creates no economic development. There is, however, substantial economic impact. Consumers and visitors will have less money to spend on other things since a portion of their wealth is being redirected to pay for the new stadium.

Economic Multipliers: A Cautionary Note For Taxpayers and Public Officials

Understanding the difference between economic impact and economic development and between the local and regional economy are not the only terms that are important for comparing and contrasting the study issued by Economics Research Associates and what is contained in this analysis. Taxpayers and public officials also have to understand when it is appropriate to use multipliers, which frequently double the amount of economic activity that is reported to take place when spending occurs.

As summarized by Economics Research Associates, “The introduction of new money into an economy begins a cycle in which that money is respent several times by different individuals. The turnover of each dollar is projected through the use of an [empirically derived] economic multiplier applied to the initial expenditure. The multiplier conveys that additional spending into a finite economy will lead to subsequent spending until that dollar has experienced leakage sufficient to end its economic cycle” (Economics Research Associates, 2004: 12).

The Bureau of Economic Analysis (BEA), a division of the US Department of Commerce, develops the multipliers through painstaking empirical research. Along with the multipliers, the BEA issues clear guidelines to aid in the appropriate use of the multipliers. Thus, many economic impact studies augment the value of the money expended on an investment in the economy by the appropriate multiplier effect. But this application is only appropriate when the proper conditions under which multipliers can be applied exist. Those conditions were not satisfied in the analysis of the economic impact of the proposed stadium in Arlington. **If the money used to pay for a stadium is not new to the economy, then the application of multipliers is inappropriate.** If the money used to pay for a stadium is already present in an economy, then it cannot be interpreted as a benefit or a return on a community's investment.

Economics Research Associates appropriately identified one assumption – that the money entering into the first stage (and then subsequently multiplied) is *new* money to the economy. But there is also an important second assumption. That second assumption requires that the proportion spent locally has to stay the same in every round of spending; if leakage increases, then the individual multipliers have to be adjusted for there is less spending in each subsequent cycle. Both of these assumptions are essential since they are the ones made by the BEA.[7] Furthermore, multipliers are only available at the county level. In integrated regions such as the Dallas/Fort Worth area, the BEA makes adjustments to account for the fact that workers and businesses conduct their economic affairs across the entire region (recognizing the integrated nature of the regional economy).

Numerous studies of the impact and value of sports facilities and teams also discuss the extent to which a team's presence can deflect spending into a community and therefore change the distribution of economic value and taxes. The integration of most regional economies, however, usually means that workers and consumers freely move between jurisdictions to their jobs, to different stores and restaurants for retail activities, and to hotels while visiting the area. In the analysis that follows, just as in the assessment made by Economics Research Associates, the extent to which economic activity can be deflected into Arlington and therefore create new income and real economic development (value) will be identified.

[7] BEA's 1997 Handbook illustrates the use of multipliers using stadium construction, but that example assumes the funds paid are new to the economy and do not involve the taxation of consumption (sales, car rentals, and hotel rooms).

The Economic Value of A New Stadium To Arlington, Texas: One-Time Construction Impacts

Early projections used in developing the material for the referendum that will appear on the November 2, 2004 ballot anticipates that the proposed new stadium will cost $620 million excluding land acquisition, financing costs, and infrastructure improvements. The City of Arlington's web site contains detailed information on the proposed facility as part of the *Master Agreement Regarding Dallas Cowboys Complex Development Project* (hereafter, *Master Agreement*). Exhibit C of the *Master Agreement* identifies the total facility, site, and land cost as $650,111,413. This figure is used as the starting point to determine the economic development benefits of building the facility in Arlington for Arlington's economy. The *Master Agreement* indicates that Arlington's responsibilities will not exceed $325 million. Further, the team will pay rent equal to $2 million per year beginning in 2009 and provide to the city an additional payment of $500,000 per year derived from future naming rights. The team is also making a philanthropic commitment to Arlington, and that will also be included in subsequent parts of this analysis.

Economics Research Associates included $620 million as the base number to be used in calculating the one-time construction impact of proposed stadium (Economics Research Associates, 2004: 17). As part of the commitment to pay $325 million for the facility, Arlington is also responsible for paying for land acquisition. The *Master Agreement* indicates that the Cowboys will be responsible for costs to a maximum level of $360 million.[8]

The essential question for an analysis of economic development or the return on any investment is: ***what proportion of expended funds is money that is new to the local economy?*** If any part of this money is already present in the economy and is simply being diverted to pay for the cost of the stadium, then the base value for the calculation of

[8] The *Master Agreement* states that the Dallas Cowboys may terminate their participation in the project without any obligations or liability if their share of the local costs exceeds $360 million (page 17). The implications of this clause are discussed in the concluding sections of this report.

economic growth (development) has to be reduced. As noted, multipliers can only be applied to estimate overall economic development if the funds used for construction involve new money to a local economy.

<u>The City of Arlington's Contribution To The Building Of A New Football Stadium: "Good Money" Or Simply A Transfer of Spending Among Activities?</u>

David Morgenthaler, a renowned venture capitalist and corporate president with more than 40 years of investment experience in economic development and business leadership, describes investment money in three ways: good, neutral, and bad. Good money are those funds that come from outside a region that enrich it as the area becomes a more valuable place to live and work with higher incomes for workers. Neutral money is the redistribution of money within a region into activities that at best insures that the funds will not be spent in another region. Neutral money does not generate any new development or wealth. Bad money are funds that leave your home area and enrich another region.

The *Master Agreement* (page 16) states that Arlington's contribution to the construction of the stadium will be from bonds supported by an increment to the existing sales tax, the hotel occupancy tax, and the car rental tax.[9] These revenues are not new or "good" money but "neutral" money as the taxes create a transfer of funds between different forms of economic activity. If consumers, tourists, or business visitors to an area do not pay higher taxes they will spend their money for other goods and services.[10] Any gains

---

[9] As agreed to in the *Master Agreement*, "(i) The City shall issue, in one or more series, tax-exempt bonds (the "Senior Bonds") that will be secured and payable from a senior or junior lien pledge of (A) the Sales Tax, (B) the HOT [hotel occupancy tax], and (C) the CRT [car rental tax]." These provisions are detailed on page 16 of the agreement.

[10] It is frequently argued that tourists or business visitors pay some of these taxes and consequently their spending represents new or good money. That is true if while they are present the tax captures dollars that would not have been spent in local economy in the absence of the tax. Studies of consumption indicate that taxes can reduce aggregate spending and might even change locational choices. As such, careful studies need to be made of the effect of specific taxes on visitors from outside of the region. In the case of a sports facility, however, sufficient data exists to argue that the spending that takes places is largely from people in the regional economy so that their spending is already present in the local economy and this represents no new money. To argue otherwise would be to argue that more people will come from out of the region to

that result from the building of the stadium are offset by losses from the reduced consumption of other goods and services that do not occur because individuals are paying a tax to build the stadium. As Noll and Zimbalist (1997: 60) observed,

> "tax collections are simply transferred to those who build and operate the public investment (in this instance, the stadium). Whereas taxpayers naturally regard these taxes as a cost to themselves, from the perspective of society as a whole taxes are simply transferred from one pocket to another…"[11]

The transfer of money from one pocket to another does not represent new money to the Arlington economy. As a result, Arlington's investment of $325 million does not generate any economic development or value since, in the absence of the stadium, the money would still be spent in Arlington on goods and services. Cars would also continue to be rented and hotel rooms would also be occupied. There is no increased economic value or development generated by simply transferring existing levels of spending between activities, and hence the anticipated expenditures by Arlington of $325 million should be removed from any calculations designed to illustrate economic development and no multipliers can be applied towards these funds.

The Dallas Cowboys' Contribution To The Building Of A New Football Stadium: "Good" Money Or Simply A Diversion Of Existing Resources In The Dallas/Fort Worth Economy?

The *Master Agreement* provides for the Dallas Cowboys to pay approximately $325 million for the construction of the facility (their maximum responsibility is capped at $360 million). The team has reserved the right to utilize a tax on tickets sold to all events at the stadium and a tax on parking at the stadium to meet part or all of its obligations. An unspecified amount of the team's share will also come from other sources that could

---

games/events in Arlington more than are already doing so while the stadium is still operating in Irving (an untenable assumption).

[11] Roger G. Noll and Andrew Zimbalist (1997), "The Economic Impact of Sports Teams and Facilities," in Roger G. Noll and Andrew Zimbalist, editors, *Sports, Taxes and Jobs: The Economic Impact of Sports Teams and Stadiums*, Washington, DC: The Brookings Institution, 55-91.

include an equity investment by the team or its owner and funds from the National Football League (NFL) similar to the arrangements that have been used in other cities to build new facilities for other teams.

Equity investments by the team or its owner that exceed any of the funds they would use to improve Texas Stadium would represent new money and generate real economic development for Arlington and the Dallas/Fort Worth region. Any funds that are used to pay for the cost of construction that would come through the financing programs involving the NFL also represent new money generating real economic development or value for the city and the region.

Taxes on admission and parking do not, however, represent new money in the economy and are similar in effect to the taxes proposed by the City of Arlington to pay its share of the cost of the new facility. If the City of Arlington collects or authorizes a tax on parking and admission to provide revenues for the team to meet their obligations to finance the stadium, this is nothing more than a transfer of consumption from one set of activities to another generating no new income in the economy.

With the sources of the funds for the Cowboys share unspecified (see *Master Agreement,* Article II) projections of economic development must be based on a possible range of outcomes. For this analysis, three different proportions were used to illustrate the range of new money that is actually invested by the Cowboys in the stadium's construction. The figures used assumed that not less than 25 percent of the Cowboys' investment is raised from the two new taxes requested. The outcomes if 50 percent of the funds expended are from the new taxes is also illustrated, as well as a midrange point of 33 percent of the funds provided by the Cowboys for construction coming from the taxes identified in the proposition to be presented to voters on November 2, 2004.

While it is possible that a different proportion of funding will emerge, the emphasis placed by the team in requiring Arlington to create two new taxes to help the Cowboys finance their share of the stadium's construction certainly indicates the likelihood that they will utilize this financial tool.[12] Readers are reminded that if a higher proportion of funds raised through taxes is used to pay for the Cowboys' share of construction, then the economic development or value from the building of the stadium will be even lower than what is reported here.

If the Cowboys spend an amount equal to the City of Arlington, one can expect that the team will commit $325 million to the construction project. If 25 percent of this amount were raised from taxes on parking and admission to events, the maximum amount that can contribute to economic development from construction of the stadium would be $243.8 million. If one-third of the cost of construction funded by the Cowboys were from the two taxes, then the maximum amount of new money invested in the stadium would be $217.8 million. If one-half of the money expended by the Cowboys for construction comes from the new taxes, then the total new money invested in the project will be $162.5 million.

Economics Research Associates used a figure of $620 million to calculate the one-time construction impact from the facility. At a minimum, their estimate would have to be reduced by approximately $376 million to produce a guardedly optimistic projection of economic development **. Voters must also consider the very real possibility that the estimate of new money invested in construction and used by Economics Research Associates may have been over-stated by $457 million dollars.**

These reductions are in the base or input number used; other adjustments involving the multipliers also have to be made.

---

[12] Taxes on admission and parking transfer the cost of stadium construction to users in accordance with benefit principles of taxation. However, what is paramount when measuring real economic development or value is whether or not the revenue utilized is new to the economy. Tax revenue regardless of its sources and who pays represents a transfer and creates no new inputs for an economy. Consequently, it must be removed from the analysis and it is not appropriate to utilize multipliers when these funds are involved in a calculation of economic growth.

If the new money invested in building the stadium ranges from $162.5 million to $243.8 million, it is reasonable to expect that 35 percent of these funds would be spent on labor and 65 percent used to purchase materials (as noted by Economics Research Associates). The mix of workers and businesses within the metropolitan area that are located in Arlington means that 6 percent of all labor costs and 5 percent of all building material costs would in all likelihood benefit Arlington residents and businesses (Economics Research Associates; US Department of Commerce). This yields the following returns for Arlington in terms of direct expenditures (see Table 1a). Under the most optimistic scenario a total payroll impact of $5.1 million can be expected for Arlington's residents from the building of the $620 million facility. It is possible the real increase in payroll for Arlington's residents may only be $3.4 million, depending on the source of the Cowboys' contribution to the construction costs.

Table 1a.

New Money Invested in Stadium Construction and Arlington's Benefits

(In thousands of dollars; all money transferred from other expenditures excluded)

Cowboys' Non-Tax/Tax Investment	**Project Expenditures: New Money**			**Arlington's Share**	
	Investment	*Labor*	*Materials*	*Labor*	*Materials*
50/50 Split	$162,500	$56,875	$105,625	$3,413	$5,281
66/33 Split	$217,800	$76,230	$141,570	$4,574	$7,079
75/25 Split	$243,800	$85,330	$158,470	$5,120	$7,935

Including the materials purchased from stores located in Arlington, the best-case scenario for new, one-time only money spent in the city is $13.1 million while it is likely that just $8.7 million will be added to Arlington's economy. To put this number into perspective, the *annual* budget of the University of Texas at Arlington is $266.7 million.

The one-time infusion of between $8.7 million and $13.1 million into Arlington's economy will induce a level of additional spending on other goods and services. Within

Tarrant County – the smallest area for which multipliers exist – it might be anticipated that an additional $9 million to $13.5 million would be spent.

Arlington with its size (jobs in the city as a percent of the county) should capture approximately 20 percent of the funds or economic development generated by the indirect spending created from the construction of the stadium. If that were to occur, then the maximum possible economic development that the City of Arlington would realize from the building of the new stadium would be $15.7 million. It is also possible that the total gain could be just $10.5 million (see Table 1b).

With a maximum economic development effect of between $10.5 million and $15.7 million, the return taxpayers and voters should expect from the construction of the new stadium is substantially less than the economic impact estimated by Economics Research Associates.[13] **It is critical that voters understand that this level of benefits for Arlington workers and businesses would still exist if the new stadium was built in Irving or Dallas. Why?** Construction projects in those cities use labor and materials employed and purchased from individuals and firms throughout the entire region. Arlington's gains are in proportion to the concentration of appropriate labor and firms and that distribution will not change as a result of one new construction project.

[13] Readers are reminded that if the Dallas Cowboys utilize the admissions tax and tax on parking to pay for more than 50 percent of their portion of the construction costs, then the economic development benefits from building the stadium in Arlington will be less than $10.4 million.

Table 1b.

New Money Invested in Stadium Construction and Arlington's Share of Direct and Indirect Benefits

(In thousands of dollars; all money transferred from other expenditures excluded; ***these benefits would accrue to Arlington residents and businesses even if the stadium were built in Irving or Dallas given the proportion of construction workers and businesses located in Arlington and the existing integrated aspects of the regional economy.***)

New Money Invested	**Arlington's Share Of**			**Total Benefits**
	Labor	*Materials*	*Indirect Spending*	
$162,500	$3,413	$5,281	$1,791	$10,485
$217,800	$4,574	$7,079	$2,400	$14,053
$243,800	$5,120	$7,935	$2,689	$15,744

Annual Economic Development Benefits From Teams and Stadium Operations for Arlington, Texas

Section IV of Economics Research Associates' *Economic and Fiscal Impacts for the Proposed NFL Stadium in Arlington, Texas* describes annual economic impacts from the team's presence and the stadium's operations. The consultants conclude that Arlington will enjoy $127 million of new direct output each year and $155.1 million of combined (direct and indirect) economic activity each year. No estimate of the economic development or wealth captured by Arlington is presented perhaps leading some community leaders and voters to conclude this annual output is the same as economic development and will be the return on the tax money invested by residents (see Table 22, page 34).

There is no basis to conclude that there will be any change in the distribution of economic developed produced by the Cowboys' presence in Arlington. To be sure, there will be economic impact or output as described by Economics Research Associates but the employees and firms that provide services and goods to the Dallas Cowboys and for other events in the facility will be located throughout the metropolitan region. While Arlington will earn new sales tax revenues and receive rental income as well as a donation for social programs, the city will also forego property tax income**. Economics Research Associates overstated the economic development benefits for Arlington from construction of the stadium by at least 400 percent.** Sections IV and V of the consultants report that deal with annual economic and fiscal impacts from stadium operations are also quite misleading **<u>if</u>** the figures presented are assumed to be changes in the wealth or prosperity of Arlington, its residents, or businesses located in the city.

<u>Capturing Economic Activity: Fan Spending, Team Business Models, and Out-of-Stadium Consumption</u>

The estimates of annual spending associated with the team's presence in Arlington, the operation of the stadium, and the spending by fans provided by Economics Research

Associates are reasonable. However, there are two extraordinary analytical errors that are made, which generate a misleading impression that the spending occurs in Arlington. *First*, a substantial portion of the projected spending for meals and gasoline (for example) would be made by people whether or not they attended a Cowboys game or went to a movie or a concert on that date. As a result, including this consumption as impact related to the team's presence is misleading and inaccurate.   *Second*, since the vast majority of attendees of events are residents of the Dallas/Fort Worth region, to assume that by attending an event in one part of Arlington they would readjust their spending on that day from existing restaurants and retail outlets to facilities located in Arlington is also highly unrealistic. Past research has demonstrated that hoped for changes in consumption patterns as a result of the location of facilities and by people who attend games and events do not take place.

The anticipated expenditures that will take place in the stadium are detailed on pages 20 through 28 of the consultants' report. These expenditures by individuals would occur whether the facility was built in Arlington, Dallas, or Irving, or as noted, if attendees expended money for any recreation or entertainment purpose on that day.

Economics Research Associates then declares:

> "A significant portion of the economic impacts generated by the operations of a NFL franchise will result from patron spending outside of the stadium. In the process of attending NFL games, patrons purchase goods and services from local establishments. These purchases, including food, beverages, gasoline, lodging and other miscellaneous retail items, represent demand for goods and services in the following BEA RIMS II sectors: retail trade, eating and drinking places, hotels and lodging places, and professional sports clubs and promoters" (page 28).

This conclusion is both surprising and inaccurate given (1) the dramatic differences in facility design that have taken place across the past 20 years, (2) the extensive literature that has studied the location of businesses before and after the building of sports facilities, and (3) the experiences of Arlington, Dallas, and Irving with the location of retail outlets, restaurants, hotels, and other entertainment facilities after the building of Texas Stadium, *Ameriquest Field*/Ballpark in Arlington, Reunion Arena, and the new American Airlines Arena.

Since the 1980s, sports facilities have been designed to capture a far greater share of the game or event day spending as team owners have tried to encourage fans to purchase their pre- and post- game entertainment and meals at the sports complex. Within the sports and entertainment industry, this has been referred to as "Disneyfication." Legend has it that Walt Disney, commenting on the proliferation of hotels, restaurants, and other entertainment and retail amenities in close proximity to Disneyland, remarked that when he would build his next park, everything that a family wants to consume as part of its vacation would be inside a Disney World. The complex of facilities, hotels, theme parks, and convention space that is located outside of Orlando, Florida and controlled by the Walt Disney Company is the result of a development process that emphasized having one business control sufficient land and resources to capture a large portion or all of the spending by consumers visiting a primary attraction. In the case of Walt Disney World, people visit Orlando because of Disney World. This process of capturing and controlling consumers' spending when the purpose of their trip is to visit a destination attraction has been labeled "Disneyfication" within the sports and entertainment industries.

Sports team owners have been following a Disneyfication process in their individual business plans since the mid-1980s. By building increasingly large complexes (while playing fields have actually become smaller for baseball and seating areas moved closer to the playing field for all sports), every arena, stadium, and ballpark built since the mid-1980s now includes a mix of restaurants, drinking places, hotels, museums, and other entertainment amenities. These new elements in sports facilities are designed to capture most (if not all) of the game day expenditures made by fans thus elevating the profitability of the franchise.

Dissatisfaction with the ability of Reunion Arena to generate additional revenues forced the Dallas Mavericks to seek a new facility. Part of the desire for a new home for the Dallas Cowboys is the functional obsolescence of Texas Stadium relative to revenue generation when that facility is compared to Reliant Stadium (home of the Houston Texans), Cleveland Browns Stadium, the remodeled Lambeau Field (Green Bay Packers), and Invesco Field at Mile High (Denver Broncos).[14] The Cowboys, an icon franchise with a legendary history, have watched as less established and less glamorous teams and some expansion franchises have moved into facilities that made these teams among the most profitable in the United States.

The Cowboys seek to lead the elite club of the most profitable sports franchises in North America by increasing their revenue streams and expanding their ability to offer entertainment and programs to fans and through patrons attending non-Cowboy events. The Cowboys want to become event promoters as well as purveyors of a myriad of entertainment services to people at a 21st century venue. Consequently, the expectation that game or event day attendees will spawn a wave of new spending within the City of Arlington and beyond the borders of the Cowboys' proposed complex flies in the face of why new facilities are desired and built.

One does not have to rely only the architectural designs of new football and baseball facilities and the business plans of teams from Washington, DC to San Diego to cast doubt on the validity of the projections by Economics Research Associates with regard to out-of-stadium spending by fans (and those that attend other entertainment events). For the past 15 years, researchers have studied the location of the entertainment, retail, and eating and drinking places that have been built after new facilities have opened. That research indicates that new business creation as a result of a stadium or arena's presence only occurs to any appreciable level when the sports facility is located in a downtown area. Downtown areas with concentrations of office workers, new residential neighborhoods, and at the nexus of numerous transportation linkages have achieved a

[14] A recent *Wall Street Journal* article, September 20, 2004 highlights the latest round of new sports facilities contemplated. Alex Frangos, "Bigger and Better," r4.

level of business development success that is virtually absent around facilities in more suburban areas or sports complexes removed from a downtown area.[15]

The experience with development adjacent to or near sports facilities in the Dallas/Fort Worth area sustains the view that it is unreasonable to expect there will be any substantial changes in the location of entertainment businesses, restaurants, hotels, and other hospitality sector amenities or spending outside the proposed stadium. Reunion Arena and the American Airlines Arena in Dallas both failed to create such a set of outcomes, and after a decade of operations, the ballpark that serves as the home of the Texas Rangers has struggled to attract any new business despite the team's repeated attraction of more fans than are projected to attend all the events that will be hosted at the new proposed stadium. Economics Research Associates provided no information to indicate why the new stadium would succeed and increase spending at businesses outside the facility when no other sports facility in the Dallas/Fort Worth area has been able to achieve that distinction to a significant extent.

Returning to Economics Research Associates and their projections of spending that will take place as a result of the stadium's presence in Arlington, Table 17 (page 29) illustrates the high and low spending levels reported by fans attending games and Table18 (page 29) identifies the average per capita spending that was reported. These tables might create an impression that this spending is a direct result of the game or event and those fans plan to spend this money near the stadium. These would appear to be inappropriate assumptions based on retail patterns that exist in the Dallas/Fort Worth area given the existence of several sports facilities and the paucity of businesses located in close proximity to the facilities. What could explain the apparent contradiction between

[15] See, for example, Tim Chapin (2004), "Sports Facilities as Urban Redevelopment Catalysts, *Journal of the American Planning Association*, Spring 70: 2, 193-209; Robert Baade and Robert Dye (1988), "Sports Stadiums and Area Development: A Critical Review, *Economic Development Quarterly*, 2: 3 265-275; Dan Coates and Brad Humphries (1999), "The Growth Effects of Sports Franchises, Stadia, and Arenas, *Journal of Policy Analysis and Management*, 18: 4 601-624; Ian Hudson (1999), "Bright Lights, Big City: Do Professional Sports Teams Increase Employment?, *Journal of Urban Affairs* 21: 4 397-408; Ziona Austrian and Mark S. Rosentraub (2002), "Cities, Sports, and Economic Change: A Retrospective Assessment," *Journal of Urban Affairs* 24: 549-564.

the millions of dollars of spending reported in surveys and the low levels of business outlets near facilities? The answer involves who attends events and where they spend the money.

Successful NFL teams have very large season ticket bases, and these fans tend to live in the team's metropolitan market areas. As a result, a fan interviewed may well report that on the day of his or her attendance, approximately $18 would be spent on food and beverages. However, had they not attended the game they very likely would have still spent money in the local economy for food and beverages or gasoline, groceries, and all of the other items tabulated by Economics Research Associates. Counting that consumption as a product or the result of a Dallas Cowboys' football game and then expecting the consumption to occur in proximity to the facility is inappropriate and unrealistic. In addition, calculating that spending as new to the regional economy ignores the fact that long-standing residents of the region have established shopping and dining patterns that are seldom if ever altered by the mere presence of a new stadium in a suburban area. In short, while there should be no quarrel with estimates of the spending by fans and those attending other entertainment events that will be held at the stadium, all of the past research that has looked at retail and entertainment spending clearly indicates that whatever out-of-stadium spending exists it will adhere to consumers' pre-existing shopping patterns unless the facility is located in a downtown area.

Those fans who live in other parts of Texas or the United States may well stay in a hotel, but there is no guarantee that they would decide to stay in an Arlington hotel as opposed to the excellent facilities available from Fort Worth's Stockyards and Sundance Square to Las Colinas and downtown and north Dallas. Economics Research Associates projects a capture rate for hotels and restaurants for Arlington that ignores that hotels, restaurants, grocery stores, gasoline stations, and convenience stores through the Dallas/Fort Worth region will still be patronized by people who live and work in the region and that the act of attending a game or a concert will not change people's consumption patterns.

Employment data from the US Department of Commerce indicates that in no category of spending analyzed by Economics Research Associates does Arlington account for more 30 percent of the jobs in Tarrant County despite the concentration of tourist amenities in Arlington.[16] Yet, despite these existing employment patterns, the consultants project capture rates from spending in a range from 50 to 80 percent for such things as hotel usage, food and beverage purchases, purchases from grocery stores and convenience stores, and other forms of retail consumption. There are no data that would sustain such a projection. Arlington's voters should be aware there is no market research data on employment levels or analyses of business location and sports facilities that would sustain the projections made on Table 19 of the report by Economics Research Associates.

Capturing Economic Development In A Regional Economy

The basic questions for Arlington as the city that will invest in the stadium remain: (1) What portion of the hundreds of millions of dollars spent at the stadium or by fans and visitors attending games and events will produce income for residents and businesses located in Arlington and (2) How much tax money will be generated by the facility's location in Arlington?

The Dallas Cowboys will attract more than 600,000 people to their games. For each playoff game that the team hosts, an additional 75,000 spectators can be anticipated. It is not unreasonable to expect that as many as 355,000 people will attend other events at the stadium ranging from college football games to concerts (Economics Research Associates, page 21). With approximately 1 million attendees at events, there is a great deal of spending taking place in Arlington, and there is a tendency to assume or expect that all or a vast majority of this spending will translate into new wealth for residents or businesses from Arlington. Unfortunately that will not occur even though the Dallas

[16] Employment data for Arlington, Texas is available at http://socds.huduser.org and utilizes data from the US Department of Commerce's County Business Patterns studies.

Cowboys have annual revenues in excess of $200 million each year and it will cost approximately $7.1 million to operate the new facility.[17]

As noted previously, the Dallas/Fort Worth region is a highly integrated economy with residents of cities commuting to jobs in other cities and firms located in one area providing goods and services to residents of cities across the region. Data from the US Census indicate that in 2000, 136,092 workers who lived in Tarrant County were employed in Dallas County and 46,430 workers who lived in Dallas County had jobs in Tarrant County. Between these two counties, a total of 182,522 workers regularly worked in a different county than the one in which they lived.[18] As a result, economic benefits that accrue in one county continuously spill into other counties in the region. There are no similar data on commuting within a county and between cities, but the county level data illustrates the connections in the economy, and it would follow that there is substantial commuting to jobs in one city and to homes another among residents of any county. In this manner, investments by Arlington's taxpayers in sports facilities create substantial economic gains for residents of other cities throughout Tarrant County and the Dallas/Fort Worth area.[19]

In a similar vein, people visiting the region as tourists for several days or for a specific event that requires a brief stay may choose a hotel in one part of the Metroplex and then drive to an event in another city. In this regard, whether the Cowboys play in Irving or Arlington, visitors will stay at hotels from Fort Worth to Dallas as they enjoy the team's performance and a myriad of other attractions ranging from the Amon Carter Museum, the Stockyards, and Sundance Square to Six Flags and the Texas Rangers to the West

[17] The Dallas Cowboys provided an estimate of the annual budget for stadium operations to Economics Research Associates and it is included on page 23 of the firm's study of the economic impact of the team and the new stadium.

[18] Two maps illustrating the integration of the regional economy produced by the North Central Texas Council of Governments are attached in Appendix A. These maps illustrate where people work and their county of residence and where people live and then work for each of the counties in the regional area.

[19] The interregional benefits from the investment by one city in a sports facility was first quantified and analyzed by Mark S. Rosentraub and Sam Nunn in "Suburban City Investment in Professional Sports: Estimating the Fiscal Returns of the Dallas Cowboys and Texas Rangers to Investor Communities," *American Behavioral Scientist,* 21:3, January/February (1978), 393-414.

End and the extraordinary retail shopping opportunities in the northern parts of Dallas and Dallas County as well as the cultural amenities in downtown Dallas.

At the current time, even after the decade-long operation of new ballpark for the Texas Rangers and the extensive entertainment options in Arlington (including Six Flags), and the new and enhanced tourist and recreation facilities in Fort Worth, the Fort Worth/Arlington combined area contains 30.2 percent of the retail and hospitality sector jobs in the Dallas/Fort Worth region.[20]

Would the movement of the Dallas Cowboys substantially shift the balance of the retail and hospitality sectors such that Arlington's share of economic activity would change? Such a shift is unlikely as the entire set of entertainment complexes in Arlington have operated for more than three decades and have left the Arlington-Fort Worth area with but 30.2 percent of the region's entertainment and retail jobs. The existence of one additional sports facility will not dramatically shift the location of jobs within the region as people can drive to events in Arlington and still patronize stores and hotels in all parts of the region.

Recently, there has been considerable discussion of the existence of approximately 40 restaurants or other retail establishments in Arlington's entertainment district.[21] There is an implicit assumption that the presence of the ballpark and the synergy with the other substantial entertainment assets has lead to levels of retail expansion that warrant public sector investments of the magnitude required for another stadium. However, a longer term look at job growth patterns in the Fort Worth-Arlington area challenges the wisdom

---

[20] The Texas Workforce Commission produces estimates of employment by different sectors of the economy. For this report and analysis, the number of workers in the hospitality sector was included from the Commission's estimate for the Fort Worth-Arlington area. The number of workers in this sector employed in Arlington itself was estimated by the City of Arlington and Economics Research Associates and is included in page 14 of the report issued by the consulting firm.

[21] O. K. Carter (2004), "Connecting dots to ballpark," *Fort Worth Star Telegram*, October 7, www.dfw.com/mld/dfw/news/columnists/ok_carter/9857820.htm?template=contentModules/printstory.op.

of linking a large public investment in sports facilities to a concentration of retail and hospitality sector jobs without a concentrated plan.

In 1994, the year the new ballpark opened in Arlington, there were a total of 42,997 jobs in eating and drinking places in the Fort Worth-Arlington area; 11,195 of these jobs were located in Arlington (26.0 percent). In 2001, the last year for which the US Department of Commerce has made data available by industry cluster, there were 58,156 such jobs in the Fort Worth-Arlington area and 12,887 in Arlington (22.2 percent). While the Fort Worth-Arlington area enjoyed a 35.3 percent increase in jobs in eating and drinking places from 1994 to 2001, the growth rate in Arlington was only 15.1 percent.[22] After the new ballpark for the Texas Rangers opened, the growth in employment at restaurants increased more rapidly outside of Arlington than it did inside the city. In addition, from 1990 through 2000 Arlington's population increased 27.2 percent and a population increase of this magnitude would lead to an expectation of an increase in restaurant employment opportunities if only to serve a burgeoning population. The proportion of jobs at eating and drinking places in the Fort Worth-Arlington area that are located in Arlington has declined steadily from 1994 through 2001. This again underscores that the location of a single sports facility in any one suburban city does not alter the concentration of jobs related to this important component of the hospitality sector of the economy (see Table 2).

[22] The source for these data is the US Department of Commerce and the files used can be found at http://socds.huduser.org. Population estimates are from the North Central Texas Council of Governments and are available at their web site (www.nctcog.org).

Table 2.

The Location of Jobs in Eating and Drinking Places: Fort Worth PMSA and Arlington, 1994-2001

Year	**Jobs Located In**		**Percentages**		
	*Fort Worth /Arlington PMSA**	*Arlington*	*Jobs In Arlington*	*Fort Worth/Arlington PMSA Growth Rate*	*Arlington's Job Growth Rate*
1994	42,997	11,195	26.0	--	--
1995	46,092	11,956	25.9	7.2	6.8
1996	47,564	12,456	26.2	3.2	4.2
1997	50,927	12,644	24.8	7.1	1.5
1998	52,357	12,372	23.6	2.8	-2.2
1999	54,169	12,693	23.4	3.5	2.6
2000	55,279	12,489	22.6	2.0	-1.6
2001	58,156	12,887	22.2	5.2	3.2

*PMSA – Primary Metropolitan Statistical Area; Source: http://socds.huduser.org, US Department of Commerce

Another data source was consulted to determine if the presence of the ballpark had any differential or positive impact on the location of restaurants and drinking places in Arlington. The Texas Comptroller of Public Accounts reports the annual taxes collected on mixed beverages.[23] As a gross receipts tax, the revenue is a measure of consumption at the point of sale. In 1994, 29.5 percent of the receipts from this tax in Tarrant County came from businesses located in Arlington. In 2003, Arlington was the location for only 24.2 percent of County's tax revenue, and in 2004, Arlington is producing 22.9 percent of the County's share of this tax revenue source (see Table 3). These data offer another

[23] "A gross receipts tax is imposed on the amount received from the sale or service of mixed beverages or from the sale, preparation, or service of ice or nonalcoholic beverages that are sold, prepared, or served for the purpose of being mixed with an alcoholic beverage and consumed on the premises of the mixed beverage permittee. The mixed beverage tax is imposed on the person or organization holding the mixed beverage permit and not the customer. It may not be added to the selling price as a separate charge and may not be backed out from the amount received. Any reimbursement you choose to collect from your customer must be clearly labeled as a "reimbursement." Reimbursements, however, become part of the tax base. An amount labeled as a "tax" is fully due to the state, in addition to the mixed beverage tax" (Texas Comptroller of Public Accounts).

view of the very minor impact the new stadium for the Texas Rangers had on consumption in Arlington and again sustains the position that the sports facility has not changed these patterns. The growth that has been observed in the number of restaurants is attributable to the population increase throughout the county and in Arlington.

Table 3.
Mixed Beverage Tax Collections in Arlington and Tarrant County, 1994 through 2004

Year	**Mixed Beverage Tax Collections In**		**Percent Collected in Arlington**
	Arlington	***Tarrant***	
2004	$ 732,967	$ 3,197,201	22.9
2003	970,282	4,013,358	24.2
2002	1,040,740	3,999,273	26.0
2001	1,036,315	3,996,956	25.9
2000	1,000,316	3,571,593	28.0
1999	933,236	3,303,940	28.2
1998	871,921	3,046,974	28.6
1997	855,162	2,816,159	30.4
1996	794,411	2,681,217	29.6
1995	762,949	2,549,643	29.9
1994	738,117	2,498,599	29.5

Source: Texas Department of Public Accounts

When making investments to encourage economic development, communities also want to increase the value of property in the community and attract residents. It is has been argued that the new stadium will stimulate development in Arlington. To illustrate the inability of sports facilities to change property values in a single city or the very limited effect of the location of a facility, changes in assessed value of property in Tarrant County were studied.

As more people move to a community, more businesses will emerge to serve this increased population, which will attract more new residents in a positive cycle of economic development that raises the value of property.   The argument was made concerning the investment in the ballpark for the Rangers that new development would accrue to Arlington (particularly in the area surrounding the stadium) as a result of the city's investment in the ballpark. In other words, with the building of the new stadium in the mid-1990s, community leaders argued that new businesses would locate in the area surrounding the ballpark and thereby increase the taxable property in Arlington. One can use existing appraisal data to test for changes in property value over time and confirm this expectation. Since other communities in Tarrant County did not make a stadium investment, they should not be expected to have experienced higher increased values than Arlington. To argue otherwise would suggest that whatever investments those other municipalities were making to attract economic development (and the accompanying property value appreciation) made better decisions about their public investments.

Since the 1950s, Arlington has experienced extraordinary growth. Initially, the city was a bedroom community where workers lived but did not work; a phenomenon facilitated by Interstate 30. Later, the community gained momentum under then-mayor Tom Vandergriff who helped attract a General Motors automotive plant. Also, the expansion of the University of Texas at Arlington played an increasing role as a major economic engine in the community. In more recent years, the city has pursued an aggressive annexation policy to provide room for more residents on relatively large lots, pushing south of Interstate 20. "The focus of development between 1990 and 2000 was south of Interstate 20, with nearly 65 percent (almost 12,000 units) of the housing constructed during the decade located there."[24] Today, the city abuts Mansfield to the south.

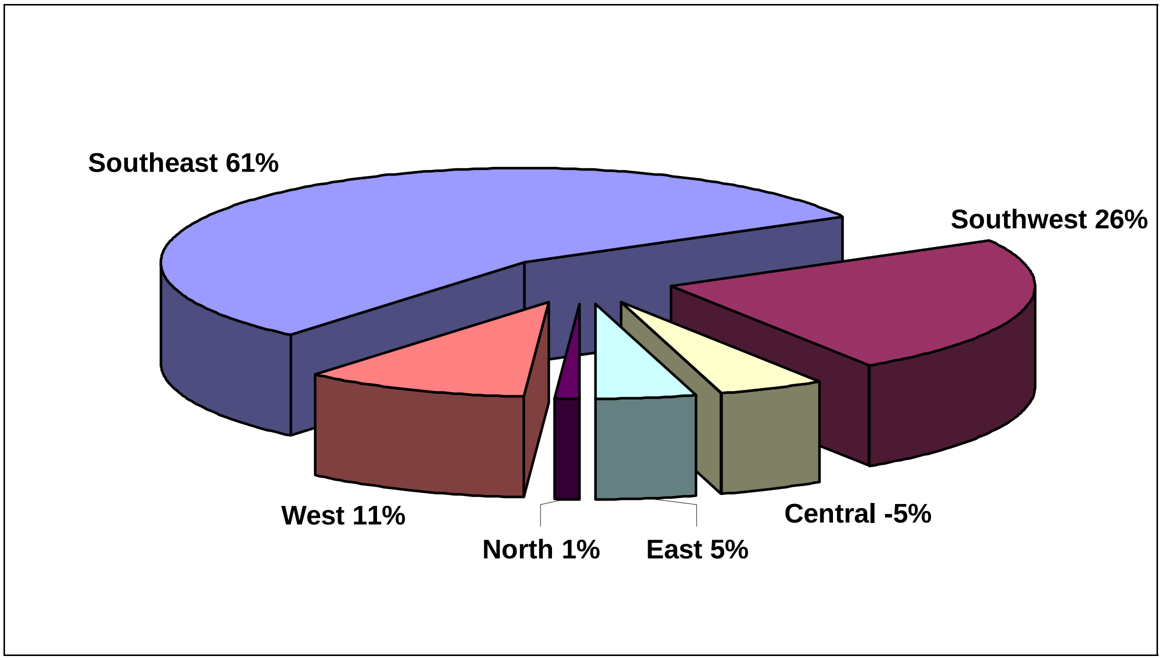
Arlington's development trend is most clearly seen in the established planning areas. Figure 1 illustrates the distribution of recent growth around the community. As can be seen, the northern sector near where the ballpark is located is **not** experiencing significant changes (even though it has the second largest amount of developable property in the city and is across Interstate 30 from the ballpark), while the southeastern and southwestern sectors are home to the largest rates of growth. The central sector, which abuts the area next to the Rangers' ballpark on the west, actually lost ground.

---

[24] Planning and Development Services (2004). *Annual Growth Profile, 2003 Update,* The City of Arlington.

Figure 1.

Growth by Area in Arlington, 2002-2003



Arlington is the second largest municipality in Tarrant County, after Fort Worth. In 1997, Arlington represented almost one quarter (23.6 percent) of the population of Tarrant County. By 2004 estimates, Arlington's share of county population has declined to 22.4 percent, as other municipalities have made larger gains in new residents. Furthermore, Tarrant County (minus Arlington) experienced an approximately 21.8 percent increase in population while Arlington's increase was only 14 percent during this period.

Tarrant County is a highly fragmented community with over 30 independent municipalities of which Arlington is but one. In 1997, the total appraised value of Tarrant County (real and personal property) was $63.1 billion. Arlington's total appraised value of $13.0 billion represented 20.1 percent of the county's value. By September 2004, Tarrant County's appraised value increased to $114.4 billion (nominal dollars) while Arlington's increased to $20.7 billion. Thus, Arlington's share of the county's value *declined* to 18.1 percent during this period.

Furthermore, Arlington was outperformed by most of the other municipalities in the county during the same period, even though none made investments in major stadia as did Arlington. There were 33 municipalities in Tarrant County in 1997 and 2004. The town of Edgefield Village experienced the smallest growth in appraised value, increasing from $118.1 million to $160.7 million in appraised value (a 36.1% increase). The most successful municipality in terms of increased value was Mansfield, which increased from $1.1 billion to $3.1 billion during this period (a 184.7 percent increase). This finding should not be surprising, given the phenomenal influx of residents and businesses in southern Arlington as well (bordering Mansfield). Arlington's increase of 59.2 percent in appraised value ranked only 26th of the 33 municipalities in the county. In other words, 25 other municipalities experienced greater growth in property values than Arlington even though they did not make large-scale investments in major sports facilities. The distribution of growth rates in appraised value is illustrated in Figure 2 (see Appendix).

The new ballpark for the Texas Rangers, if it ever had a positive impact on property values in Arlington, was unable to sustain that impact and was unable to change development patterns within Arlington or Tarrant County. The presence of another sports facility will be a similar stimulant for the Arlington economy.

As a result of all of these data – none of which point to any increasing concentration of property value, hotel rooms, employment in the hospitality sector, or consumption patterns in Arlington – it is not possible to sustain a perspective that the presence of a baseball facility for the Texas Rangers engendered a level of restaurant development that was independent with the population growth within the city. It is therefore unrealistic and unwise to advise voters or taxpayers that another investment in a sports facility will increase the city's share of regional business related to the hotels, restaurants, retail spending, or consumption.

Economics Research Associates noted that there would be a leakage of jobs and economic activity generated by the new stadium when the integrated aspect of the regional economy was discussed in their report. "Although the City and County local economies are of considerable scale and scope, it should also be noted that the City of Arlington is located within close proximity to Dallas. As a result of this factor, some of the money generated by the proposed stadium development and the Cowboys may leak out of the city" (p. 14). This prudent and cautionary note is then disregarded in latter stages of the analysis as Economics Research Associates did not report that a substantial majority (70 percent) of the region's entertainment and retail jobs are located in Dallas County and there is no available evidence to suggest that a team or stadium's presence in a suburban area has had any success in changing consumption patterns. The cautionary note as the data described here was appropriate. What was not realistic was the capture rates discussed in the report.

Economics Research Associates has estimated that annual spending by fans attending Cowboys' games will be approximately $58 million (in and out-of-stadium spending) generated by approximately 700,000 people. This figure includes approximately $25 million provided by the Cowboys for other events, and it is unclear if it includes anticipated college football games. As other events may attract as many as 300,000 attendees, a conservative estimate would elevate this $58 million by as much as $16.6 million (a two-sevenths increment to the Cowboys' projection) bringing the total spending to $74.6 million.

Readers are reminded that this spending represents no change in base spending levels for the Dallas/Fort Worth region. The Cowboys currently attract large numbers of fans to their games. Large numbers of fans also attend college football games held in the Dallas/Fort Worth area. Just as the more than 2 million people that attend Texas Ranger's baseball games and the hundreds of thousands of visitors to Six Flags and Arlington's other extraordinary tourist attractions have left Dallas County with 70 percent of the entertainment and retail jobs, there is nothing to suggest that simply moving 10 to 12 football games and a select number of other events from Irving or Dallas to Arlington will substantially or significantly alter the income earned by residents of Arlington or businesses located in Arlington. In 2004, the State of Texas estimated that Arlington was the location for approximately 5 percent of all the jobs that exist in Dallas/Fort Worth metropolitan area. That figure will not change if the Cowboys play their home games in the city and host a few other important entertainment events.

While it is reasonable to expect some marginal changes in job opportunities in Arlington, there is no basis for expecting that the total of direct and indirect spending associated with events held at a new football stadium will enhance the economic situation for residents of Arlington. Economics Research Associates expects direct and indirect spending levels to reach $279.4 million. Those expenditures include a large portion of spending (meals, gasoline, etc.) that would occur even if the Cowboys moved from the region or if their home games were played in Dallas or Irving.

Is there, then, any economic gain for residents or businesses from the annual operation of the stadium and the team's presence that is a result of the building of the facility in Arlington?

All of the available data from the State of Texas, the US Department of Commerce, and past studies of numerous outcomes from the building of facilities in several other cities clearly supports the very strong conclusion that a sports facility in a city like Arlington and in the locations suggested by the team and city **will not generate any meaningful returns from annual operations.** Jobs will exist in Arlington but residents of other cities as well as people in Arlington will fill those positions (as they do now while the team plays in Irving). Businesses through the region will be called upon to provide services to the team just as they do now.

In summary, the spending that will take place at the stadium while generating sales tax income will not produce any substantial new levels of economic development or wealth for Arlington residents or businesses. People will continue to work and commute across city and county lines so that people employed at the stadium may live in Arlington or any other city in the region. The Cowboys will purchase a myriad of services and products to operate the stadium and entertain people, and those will come from people and businesses located through the region, state, and nation. People attending events at the stadium will spend money for food, beverages, novelties, gasoline and a myriad of other things, but as residents of the region or as tourists these purchases will occur in the future as they do now, throughout the entire region.

Tax Revenues

Arlington will enjoy new sales tax revenues from transactions at the stadium that now occur in Irving and elsewhere and room tax income from stays at hotels that represent an increment from existing revenue levels. There are total of 89,600 hotel rooms in Dallas and Tarrant Counties with 25,200 (28.1 percent) in Tarrant County.[25] The Arlington Convention and Visitors Bureau lists 4,988 hotel rooms in the city on their web site giving Arlington 19.8 percent of the rooms available in Tarrant County and 5.6 percent of the rooms in Dallas and Tarrant Counties.

Some Arlington residents may work at the stadium, but it is also entirely likely that workers live in other cities in Tarrant County or in another of the region's cities. As there is no local income tax, the location of the jobs does not generate any returns for the taxpayers of Arlington. The stadium, and any other facilities built within the Cowboys' complex, will be exempt from property taxes.

Economics Research Associates projected that Arlington would earn $314,000 in new or additional tax income if all NFL teams and a substantial number of game-related personnel and tourists stayed in hotels in Arlington and if a substantial number of people who need hotel rooms to facilitate their attendance at the game also stayed in Arlington. There was no information provided in the report as to why the consultants believed teams and visitors would prefer to stay in Arlington as opposed to elsewhere in the region. Given the distribution of rooms in the region, there is a very strong likelihood the revenue earned by Arlington, even as small as projected by Economics Research Associates, might be far less robust.

Economics Research Associates' estimate of annual sales tax revenues of $1.47 million based on purchases at the stadium is valid and accurate. If the estimate of $314,000 in

[25] Real Estate Center, Texas A &M University [http://recenter.tamu.edu/mreports/Dallas13.asp; http://recenter.tamu.edu/mreports/Tarrant13.asp].

hotel tax revenue is accepted as valid – and that is a generous assumption given hotel occupancy patterns in the region – the maximum tax increment for Arlington is $1.8 million per year.

Before concluding that the possible $1.8 million a year in new tax revenue is a net gain for Arlington, the foregone income from the loss of property taxes as a result of the city's ownership of the facility must be included. The Cowboys will make annual payments to the Arlington Independent School District and that income stream is included in Table 4. The Cowboys will also pay rent for using the facility while maintaining responsibility for "all operating, maintenance and utility costs…." *(Master Agreement*, p. 20). Maintenance is not completely defined by the existing *Master Agreement* raising the possibility that the final document might identify some structural maintenance responsibilities that will be stipulated as the responsibility of the facility's owner (e.g., the City's taxpayers). Voters are simply reminded that in this assessment of tax revenues, it is anticipated that Arlington will have no maintenance or structural repair responsibilities beyond the $325 million for construction. If the final agreement changes that understanding, then the analysis that follows understates the City's income position.

Foregone Taxes and Rental Income – A Gain or Net Cost for Arlington's Taxpayers?

The Dallas Cowboys will pay $2 million in rent per year for each of 30 years. This payment will **not be adjusted for inflation nor increased**. The present value of a $2 million annual income stream across 30 years with a modest discount rate of 5 percent is $30.7 million. A discount rate of 5 percent is the minimum appropriate value as it represents a fair estimate of alternative rates of return available to the City of Arlington. If a discount rate appropriate for private sector investment analyses were used (10 percent is frequently incorporated into analyses such as this), the present value of the rental income flow is $18.9 million.[26] Fiscal analysts might recommend this higher discount rate as the investment in stadium involves a private business (professional sports).

When the income from the naming rights deal is included, the present value of the rental income ranges from $38.4 million (5 percent) to $23.6 million (10 percent).

The *Master Agreement* also calls for the payment of a community contribution from the team (presumably through the Gene and Jerry Jones Family Foundation and/or the Dallas Cowboys' Foundation) of $16,500,000 payable in annual installments of $500,000 beginning in 2006. The present value of these contributions with a 5 percent discount rate is $7.0 million (and it is not appropriate to use a higher discount rate on these dollars as they represent a donation to the city to fund projects that would otherwise require tax money from the Arlington).

The present value of the anticipated increase in sales and hotel taxes for Arlington is $22.8 million.

Arlington estimates that the cost to acquire the land upon which the stadium will be built is $42 million. That amount is the value of the land and improvements that would have been taxed had the land remained taxable. Using current property tax rates and without increasing the tax rates or the value of the property, the present value of the foregone tax income is $19.8 million (with a 5 percent discount rate). (The proportion of these foregone taxes that the Cowboys will pay to the Arlington Independent School District was included as income for taxpayers in Table 4.)

---

[26] Economics Research Associates used a discount rate of 3 percent to adjust for inflation when calculating the Summary of Cumulative Fiscal Impacts by Government Level (Table 38). Such a rate is less than would be recommended for use. For example, economists retained by non-partisan agencies of the Federal government routinely use a 7 percent discount rate as its basic guideline. Readers interested in a complete assessment of the issues involved with the selection of an appropriate discount rate should consult Stephen G. Breyer (1993), *Breaking the Vicious Circle: Toward Effective Risk Regulation*, Cambridge: Harvard University Press or Joseph E. Stiglitz (2000), *Economics of the Public Sector*, New York: W. W. Norton. Regardless of the interpretation utilized, a discount rate of 3 percent is too low and overstates the present value of the benefits and income streams.

Before estimating a net position for Arlington's taxpayers, two other aspects of the arrangements with the Cowboys need to be included. First, all of the rental payment made by the team can be used as a credit against purchasing the Cowboys' Complex at the end of the lease. This means the annual rental and naming rights income will produce a $75 million credit towards the purchase of the complex producing future income of $25 million; the purchase price of the complex will be $100 million (*Master Agreement*, page 20).[27]

These figures produce the tax position for Arlington's taxpayers summarized in Table 4. Figures are presented for 5 percent and 10 discount rates. The lower rate is more conservative than the one recommended for use for government projects by the Federal government. The higher rate is one that is often used by the private sector. With regard to income that Arlington will receive, the 5 percent discount rate was the only one utilized for the contribution to be received from the Cowboys. The higher rate was not used so that the anticipated charitable contribution was maintained at the highest appropriate value. The value of the anticipated payment to the Arlington Independent School District was also included as income assuming the agreement reported on October 8, 2004, in the *Fort Worth Star Telegram* is signed and provides for full compensation for lost taxes.[28]

"Payment for Acquisition" refers to the $25 million required from the Cowboys at the end of the lease to purchase the complex. The value of the property taxes lost since Arlington will own the complex was discounted at 5 percent (and not 10 percent) since no calculation was made for the potential increases of the value of land or what could

[27] The *Master Agreement* is silent as to whether the purchase includes the land or just the Cowboys' Complex.

[28] The proposed agreement with the Arlington Independent School District provides for an annual increase in payments to reflect rising values of the improvements. This increase is not included in the calculation as the resulting increase in foregone property taxes was also not included in the costs to Arlington taxpayers in the second half of the table. For both the income and cost side of the analysis, the present value calculations do not include any increments for changes in value over time. If the higher income were included, the foregone property taxes or costs would increase by the same amount.

have been built (and subsequently taxed). The project bonds were listed at their face value and since present values are being calculated, it is not appropriate to include future interest payments. The legal and transaction costs to secure these bonds were estimated to be $1.3 million. No entry for income earned on these funds was included (interest earned until payments are required from the fund for construction costs) as that income is offset by the required interest. The present value of the application of all rent payment made by the Cowboys for the purchase of the complex is set at the cost of acquisition of the land by Arlington (thought to be $42 million). With a 5 percent discount rate, taxpayers in Arlington are providing a subsidy of $290.5 million to build the Cowboys Complex. If a 10 percent discount rate is used the subsidy is $325.3 million. The best outcome Arlington can expect is that it will suffer a net loss of $290.5 million as a result of the building of the stadium, the team's presence, and the hosting of a myriad of annual and mega events. The loss for Arlington could be as high as $325.3 million (see Table 4). This is in sharp contrast to the forecasted positive impact by Economic Research Associates.

While the next section of the report details the benefits of hosting "mega" events and non-Cowboy events each year, the value of those tax benefits is included in Table 4 to provide an assessment of the subsidy to be provided by Arlington taxpayers.

Table 4.

Income, Costs, and the Extent of the Subsidy for the Proposed Stadium for the Dallas Cowboys

(in millions of dollars)

Income/Costs, Net Position	**Discount Rate**	
	5 Percent	**10 Percent**
Income for Arlington		
Rental Income	$30.7	$18.9
Naming Rights Income	7.7	4.7
Contribution By Team	7.0	7.0
Sales & Hotel Tax Increment	22.8	12.5
Payment for Acquisition	5.8	1.4
Mega-Event Tax Income	2.2	1.5
Non-Cowboys Annual Event Tax Income	10.2	5.6
Proposed School Tax Payment	11.2	11.2
Income Subtotal	97.6	62.8
Cost to Arlington Taxpayers		
Property Taxes Foregone	19.8	19.8
Project Bonds	325.0	325.0
Legal and Transaction Costs for Bonds[29]	1.3	1.3
Transfer Credit for Cowboys	42.0	42.0
Cost Subtotal	388.1	388.1
Net Position	**-290.5**	**-325.3**

[29] A national firm that has handled the financing of sports and convention center facilities as well as numerous other public sector projects in cities across the United States provided an estimate of the likely bond and legal fees associated with a transaction of this magnitude ($325 million).

Mega and Annual In-Stadium Events

The size of the proposed stadium and the inclusion of a retractable roof offers an opportunity for Arlington, the Dallas/Fort Worth area, and the Dallas Cowboys to submit bids to host events such as a Super Bowl, the NCAA Men's Final Four Basketball Tournament, and national political conventions. Each of these events will bring a large number of visitors to the Dallas/Fort Worth region and sell-out crowds to the facility. There is ample evidence to suggest that these events increase the level of spending in an area since visitors not only stay at hotels, but visit other attractions and entertainment venues in the region. There is a presumption or hope that the occurrence of any of these events will generate substantial economic gains for Arlington as it is expected that there will be a concentration of spending in and around the Cowboys' Complex as a result of these events.

Economics Research Associates also anticipates that two college football games, a college bowl (Bowl Alliance) game, and a myriad of other events will also occur at the new stadium. These events are detailed in a reproduction of Table 13 from the report by Economics Research Associates. As will be noted in this section's conclusion, many of these events are already held in the Dallas/Fort Worth area. It can be anticipated that the venues that host these events will continue to compete with the new stadium to retain these events. Further, it may be found that crowds of 5,000 people for a high school football game are impractical and that insufficient resources are generated to offset operating costs. School and other officials may find it inadvisable to host a game in a facility that can seat as many as 75,000. With so few fans the games will appear to be played in an empty canyon, so these events may not be held at the stadium. Finally, there will be no new spending from attendees of high school events as their expenditures for food and beverages will occur regardless of the game's location (see Table 5).

Table 5.

Economics Research Associates' Table 13, "Operating Assumptions," Events Anticipated at New Stadium

Event Type	**Events**	**Per Event Attendance**
Cowboys' Pre-Season	2	56,250
Cowboys' Regular Season	8	75,000
Concerts	2	45,000
High School Football	15	5,000
Other*	2	20,000
Soccer	2	40,000
College Football	2	75,000
Bowl Alliance	1	75,000
Truck and Tractor	1	40,000
Festivals	5	50,000
Other*	5	5,000

*Economics Research Associates provided no further description for these two "Other" categories in the table or the accompanying text on page 21 of the report.

There is, again, an expectation or anticipation that the presence of some or all of these annual events in Arlington will yield substantial economic development and tax benefits for the city, its taxpaying residents, and businesses located in the community. Economics Research Associates contributes to this expectation and an anticipation of income to offset the investment made by taxpayers by the inclusion of estimates of the economic impact and output anticipated for Arlington from: a Super Bowl, the NCAA basketball tournament, a national political convention and 33 other annual events. (All of these events are in addition to 10 Cowboys' games each season.) There is an assumption that if

Arlington is the location for a mega or annual event, it will capture a large proportion of the spending associated with the events.

Research by government, academics, and consultants would challenge the gross and net spending levels projected by Economics Research Associates[30], but the fundamental flaw in the presentation of the information is with the presumed capture rates for Arlington from spending from these events. It is not necessary to challenge the data presented with regard to the total level of spending associated with these events to illustrate the caution voters should exercise in terms of anticipated benefits from their investment in the stadium. The need for the caution and the wisdom in taking a jaundiced view of the estimates provided by Economics Research Associates is illustrated by a review of the revenue that is included in the projections.

One example of the errors made involves the inclusion of $65 million in ticket sales income from the hosting of the Super Bowl as a direct economic output (Table B3, page 47). Ticket revenues for the Super Bowl accrue to the National Football League. Therefore, while a game could be held in Arlington, the revenues from ticket sales will not enhance the city's economy. Tickets are sold by the National Football League and made available through each team and that does lead to a large proportion of out-of-town visitors. But even if the game is played in Arlington, it is reasonable to anticipate that the Cowboys will earn some revenue. Income earned by the Cowboys would accrue to the team and its owners and their investments and expenditure will not have an appreciable (if any) impact on the Arlington economy. Hence, there should be no calculation of ticket revenue as an economic input that results from a Super Bowl. (This is one of the points made by many critics of impact assessments and highlights the need to differentiate between gross receipts or income and net income that can generate economic development.)

[30] See, for example, Robert A. Baade and Victor A. Matheson (2000), "An Assessment Of The Economic Impacts of the American Football Championship, the Super Bowl, on Host Communities." *Reflets et Perspectives*, 39: 2-3 35-46.

Another mistake involves hotel, restaurant, and entertainment expenditures and the presentation by Economics Research Associates of a capture rate for Arlington that exceeds the existing distribution of hotels, restaurants, and other entertainment amenities. It is not necessary to quibble with the Economics Research Associates and their estimate of the spending that will occur – suffice to note that the expenditures levels are far greater than many researchers have found – but it is necessary to again underscore that across more than 30 years of hosting several of the region's most vital tourist amenities, Arlington's share of the region's hospitality jobs and economic development remains at a robust level that has not retarded the development of hotel, entertainment or retail centers throughout the region and in specific sections of Dallas and Fort Worth. These areas will continue to be attractive to visitors to the region who attend a Super Bowl or any other special event. The capture rates of any city in the Dallas/Fort Worth area relative to where visitors will spend their money when attending a Super Bowl or any other special event is likely to align with the existing distribution of first-class hotel rooms and restaurants. There is no research available based from regions that have hosted Super Bowls, Olympics, and national political conventions that any city could capture a portion of the anticipated spending that exceeds their level of existing hotel rooms, restaurants, retail outlets, and other entertainment venues.

A study of Super Bowl XXXII by the NFL and Sport Management Research Institute found that the game played in the northern part of Dade County generated economic effects from the City of Miami to Palm Beach County in the north.[31] While other experts have challenged the absolute size of the economic impact and spending attributed to the Super Bowl by this study, the essential conclusion that the spending occurred across an entire region underscores the concerns with the capture rate projected for Arlington.[32] Miami, the City of Miami Beach, and Fort Lauderdale could not contain the spending generated by a Super Bowl. In a similar context, Arlington's taxpayers will find that if a Super Bowl is played in a new stadium, visitors will spend money throughout the

[31] National Football League (1999), "Super Bowl XXXII Generates $396 Million for South Florida," *NFL Report*, 58: 7

[32] Dennis Coates and Brad Humphreys (2002), "The Economic Impact of Post Season Play in Professional Sports," *Journal of Sports Economics*, 3: 3 291-299.

metropolitan area. The only valid approach to estimate the portion of spending that would occur in Arlington would be to look at its share of the hotel rooms within the region or the proportion of hospitality sector jobs that exist within the city.

Earlier in this report, it was noted that almost 70 percent of the hospitality sector jobs between Dallas and Tarrant Counties are located in Dallas County. Arlington is the location of approximately five percent of all jobs that exist in the Dallas/Fort Worth region. The distribution of hospitality sector employment and total jobs provides the best estimate of the pattern of spending and job creation that will result from a mega or any special event that is hosted at the new stadium. The jobs that exist at the stadium will be new in Arlington, but simply a redistribution of employment opportunities within the region. The positions that will be created in Arlington will be offset by a reduction in jobs in Irving. However, it is possible that many of the people currently employed in Irving will move to the new positions in Arlington (with or without relocating their residences). If the new stadium hosts the Texas-Oklahoma University annual football game and/or the Cotton Bowl game, this too will not result in any changes in economic development. Those events are already part of the annual economy of the Dallas/Fort Worth region. If the games are played in Dallas County or Tarrant County, the spending patterns will not be substantially or significantly altered. Jobs that exist in one county related to the games may or may not move to Tarrant County. That will generate economic impact but no development for the region or Arlington. The only change that will exist will be related to sales at the stadium, as Arlington will receive some sales tax revenue that it does not receive at this time. The revenues passing through Arlington for tickets, food, and souvenirs does not generate any economic development for the city or its residents beyond the sales tax revenues that are created.

Arlington will receive a share of any benefits that accrue to the region by the attraction of events that are currently part of the Dallas/Fort Worth entertainment calendar. This would mean that Arlington will benefit if a Super Bowl or national political convention is held at the new stadium. However, the benefit received will be in proportion to the distribution of hospitality sector jobs meaning that 30.2 percent of the benefits will accrue to Tarrant County and 69.8 percent will take place in Dallas County. Arlington will also receive sales tax revenues from purchases at the stadium. Arlington residents and businesses will benefit just as they would if a Super Bowl or political convention were held in Dallas or Irving.

Economics Research Associates estimates these gains as: (1) $770,000 for a Super Bowl, (2) $262,000 for a Men's Final Four basketball tournament, and (3) $601,000 for a political convention. The sum total of these gains is then $1,633,000. Across a 30-year period the region might be expected to host two of each of these events generating almost $3.3 million in sales tax revenues for Arlington. The present value of these funds at a 5 percent discount rate is $2.2 million and at a 10 percent discount rate is $1.5 million with an expectation that these events all occur within the initial 15 years of the facility's existence.

Arlington's hotel and motel operators will share in the region's room usage that will result from people coming to these mega events. Should those tax revenues be included in the measure of the city's gain from the stadium's presence? The answer is **no** because the city would enjoy the same gains if the events were held in Irving or Arlington. What investors need to understand is the return that is generated as a result of their commitment or funding of the stadium. Any gains that would occur if the investment were not made are not gains related to the commitment. Arlington's taxpayers will spend $325 million if the stadium is built in the city. Therefore, the appropriate issue to consider is how much more money will the city earn for this commitment. Funds that it would earn if an investment were made in Dallas or Irving are not a return on the taxes paid by Arlington's residents and businesses.

There are other surprising or questionable elements included in the assessment provided by Economics Research Associates that might have overstated the economic activity generated. For example, the table related to the Super Bowl indicates 100,000 attendees at a Super Bowl and 30,000 other visitors. As the proposed stadium will have a capacity of 75,000, it would have been beneficial to learn how this figure was developed and then included into projections of economic impact.

Table B1 also includes a capture rate for economic spending of 75 percent for Arlington. Again, this is so far in excess of the city's performance with entertainment and hospitality expenditures in the region that data sustaining this assumption in the context of the Dallas/Fort Worth region would be appropriate.

Accepting the most favorable assumptions with regard to attendance and the presence of so-called mega events involving tax revenues for Arlington would reduce the subsidy provided by taxpayers from $274.1 million to $271.9 million. It is also possible that the subsidy provided would be as high as $302.1 million even if six mega events were attracted to the new facility in its initial 15 years of operation.

Relative to concerts or college football of regional or national stature, since those already take place in the Dallas/Fort Worth area, there will be no new economic development benefits for the region. The only gains that will result for Arlington are related to the sales tax collected on consumption that takes place within the Cowboys' Complex.

A similar set of errors was made in the presentation of anticipated income and capture rates for Arlington when Economics Research Associates turned their attention to "Other Annual Events" that would take place at a new stadium. First, they failed to point out to community leaders and voters that virtually all of these events already exist and are held in venues throughout the Dallas/Fort Worth area. Second, they again failed to address past research on annual and mega events illustrating that the distribution of benefits of this nature occurs across a region and are not contained within any one city. As noted earlier, this a substantial oversight as the NFL itself has pointed to the regional dimensions of the benefits from a Super Bowl. Third, Economics Research Associates projected capture rates for spending of 90 percent for Arlington (Table A-3, page 41) even though they fail to present any supporting data from governmental, consulting, or academic sources to suggest that the presence of a facility can move spending patterns within a region to the point that a community captures 90 percent of the out-of-stadium expenditures. Finally, Economics Research Associations continues to include admissions in their data as an element captured by Arlington. While the ticket transaction does take place in Arlington those revenues accrue to promoters or the organizers of the event. If the intention of Economics Research Associates was that this capture rate is related to admission taxes collected, those funds accrue to the Cowboys, not Arlington.

Arlington will collect tax revenues from sales that occur at the stadium from people attending annual events. Economics Research Associates' Table A4 identifies this income for Arlington as coming from admissions, concessions/novelties, parking, and restaurants. The revenue from parking and admission taxes, however, accrue to the Cowboys as indicated in the *Master Agreement*.

If the data presented by Economics Research Associates are accepted as presented, Arlington taxpayers can expect to receive $809,000 in new sales tax revenues each year from annual events held at the stadium. The 30-year present value of these funds at a 5 percent discount rate is $10.2 million and at a 10 percent discount rate is $5.6 million. These gains would decrease the subsidy provided by Arlington's taxpayers to between $261.7 million and $296.5 million. Readers are reminded this figure assumes that no fewer than six mega events will be hosted at the new facility during its initial 15 years of operation and that all of the annual events anticipated by Economics Research Associates will be held at the new stadium. This last expectation is as speculative as is the hosting of mega events as it can be expected that Dallas will continue to compete to host the Texas-Oklahoma football game, other special college football games, and the Cotton Bowl. Further, other venues in the Dallas/Fort Worth region will remain competitors for other entertainment events. This cautionary note does not minimize the attractiveness of a new venue to event promoters, but is included to remind voters and community leaders that to assume that there will be no competition from other cities to host these events is neither practical nor realistic. If all of the forecasted events are not held at the new stadium, then the returns to Arlington decline and the size of subsidy returns to higher levels.

Appendix

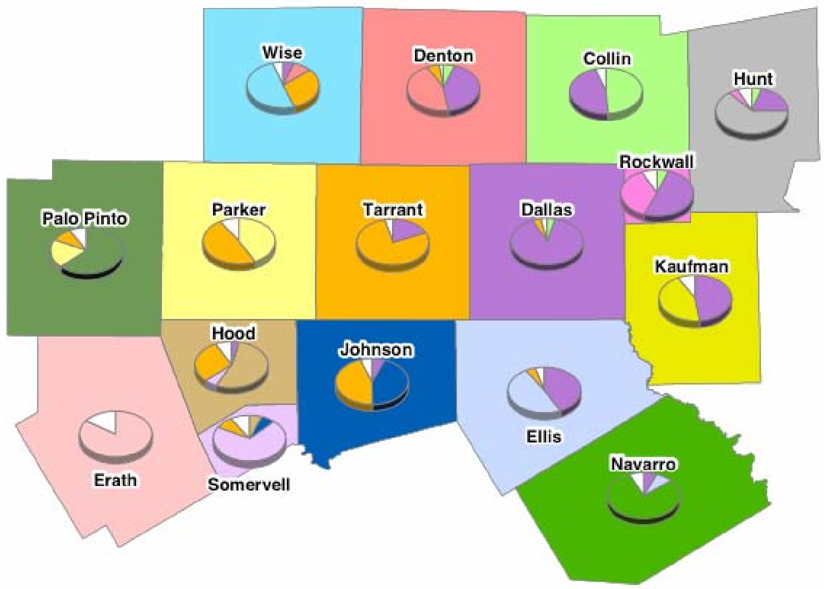
Commuting Patterns Of Workers in The Dallas/Fort Worth Region

Maps Prepared By And Available From
The North Central Texas Council of Governments

Figure 2

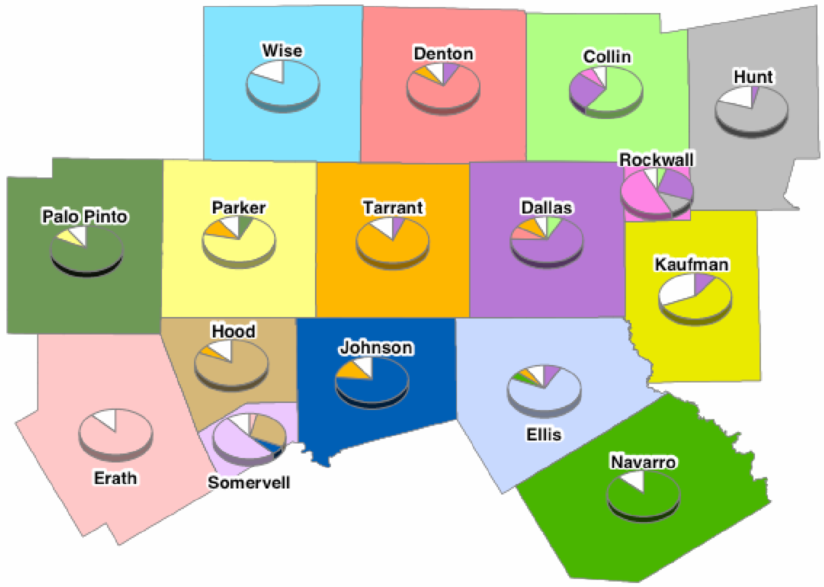
Appraised Value Growth Rates in Tarrant County, 1997-2004

County-to-County Worker Flows for North Central Texas: 2000 Census Data
Percentages by Residence County



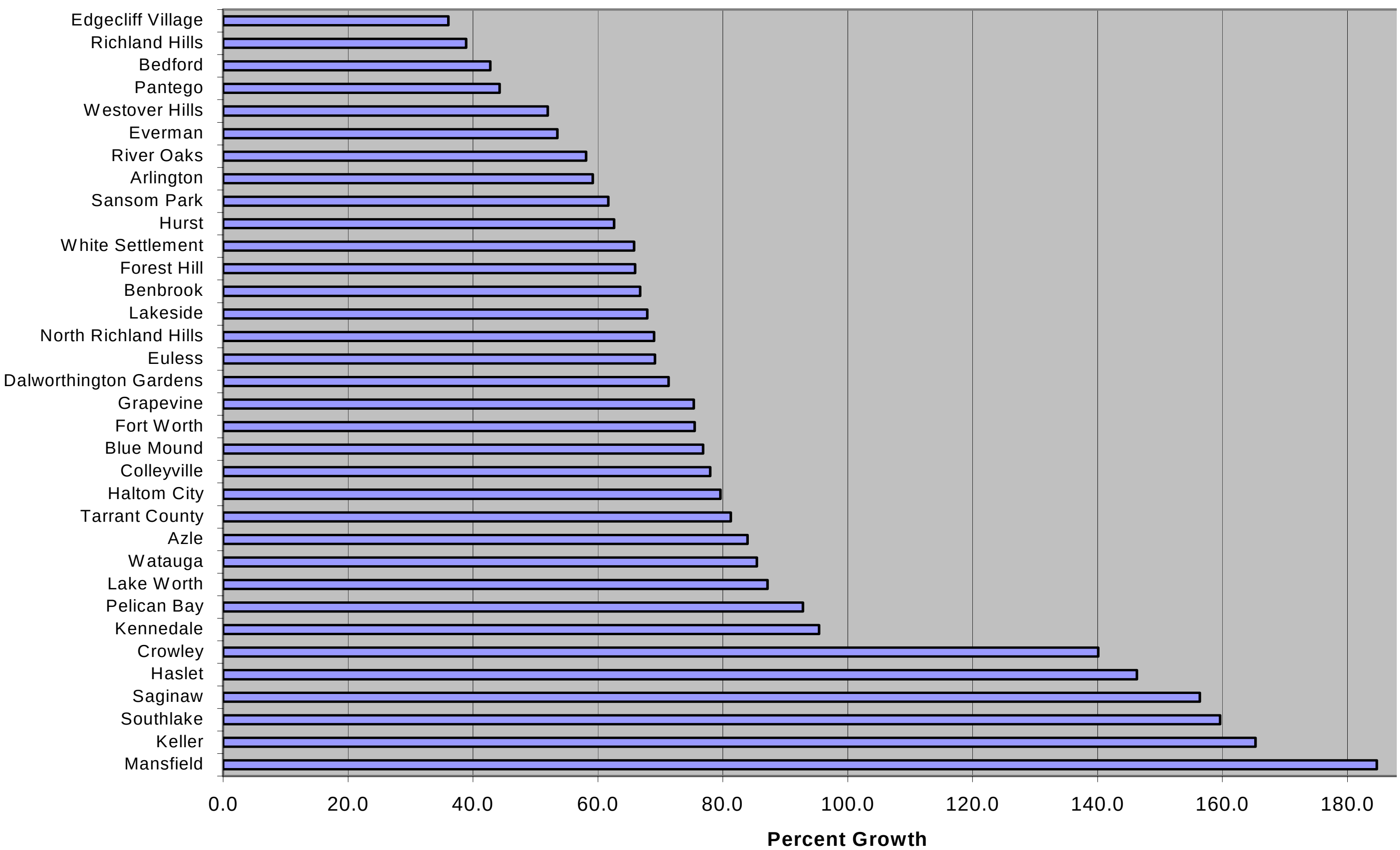
* Pie slices are shaded using the same color used for that county's background, e.g., dark purple for Dallas County.
* White slices represent all other areas combined, which include counties having less than 4% as well as areas outside the region.
* As an example, you can see that of the people living in Collin County, almost half work in Collin County, almost half work in Dallas County, and a small fraction work elsewhere.

County-to-County Worker Flows for North Central Texas: 2000 Census Data
Percentages by Work County



* Pie slices are shaded using the same color used for that county's background, e.g., dark purple for Dallas County.
* White slices represent all other areas combined, which include counties having less than 4% as well as areas outside the region.
* As an example, you can see that of the people working in Collin County, about 3/5 are from Collin County, about 1/4 are from Dallas County, and small fractions are from Rockwall County and other places.

Figure 2.
Appraised Value Growth Rates in Tarrant County, 1997-2004



Source: Tarrant County Appraisal District, 2004.