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The Gospel of Entertainment

Often the economic reality of encouraging entertainment formats to locate downtown falls short of expectations.

Retail and entertainment have assumed an increasingly symbiotic relationship: successful retailers offer an entertaining shopping experience, and the most successful entertainment is merchandised. In an attempt to bolster a flagging downtown, many municipalities have been led to believe in the "gospel of entertainment," which can be difficult to resist. Preachers of this gospel often roam the corridors of local government espousing economic miracles. All they seek in return is a modicum of faith and—almost always—an immoderate subsidy.

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Municipalities have encouraged entertainment formats to locate in their downtowns, offering subsidies in the belief that these attractions will boost tax revenues, generate economic development, and serve as a catalyst for deteriorating real estate. All too frequently, reality falls short of expectations.

For any activity to remain entertaining, it must maintain its freshness—it must continue to surprise and delight. For a time, Chicago's leading tourist destination was its first major Nike store—no mean feat when one considers all that Chicago has to offer. Planet Hollywood did gangbuster sales in cities such as San Francisco when it first opened. But as these themed stores and restaurants saturate the major tourist destinations and expand into smaller markets, revenues tumble. How many times will a visitor wait in lengthy lines to pay for ordinary food and gimmicky merchandise?

As America's attention span shortens, maintaining freshness becomes more challenging. Concert producers say that the shelf life of today's musical group is approximately 18 months. One reason why arenas are growing larger in size is to enable today's star musical attractions to generate significant ticket sales while they are still hot.

Before encouraging, much less subsidizing, entertainment venues within a community, one needs to ask and realistically answer three questions: What are the primary objectives for encouraging this form of entertainment in the community? Will this activity meet these objectives better than other entertainment options? How likely will this specific entertainment product maintain its longer-term ability to meet these objectives?

The Raiders moved from Oakland to Los Angeles and back to Oakland. Recently, a Los Angeles city councilman hinted that the Raiders might be persuaded to move back to L.A. While this rumor was immediately dismissed, it does reflect the current environment in which the monopoly enjoyed by teams revs up cities to steal teams from one another—which means a new stadium can be built today and long before it is paid for, a competing city can lure the team with even bigger subsidies.

Today, stadium costs range from $200 million to $400 to $500 million and above. According to the 1997 Brookings Institution publication, *Sports, Jobs & Taxes: The Economic Impact of Sports Teams and Stadiums*, which examined recent stadium projects, the average subsidy for a host city will exceed $10 million a year for as long as 30 years. Most cities justify these expenditures based on the belief that teams and facilities have a beneficial impact on the local economy. Is this a realistic primary objective for a stadium subsidy? In every stadium project examined, the local economic impact was found to be far smaller than proponents alleged, and, in some cases, it was negative. One of the primary conclusions of this Brookings report was that these findings hold true regardless of whether the benefits are measured for the neighborhood, city, or metropolitan area.

Roger Noll and Andrew Zimbalist, editors of the Brookings study, argue that stadiums make no sense from an economic development perspective. They cite a 1990 Deloitte & Touche study that concluded the Arizona Diamondbacks Stadium (projected to cost $280 million) would create a total of 400 jobs at a cost of $700,000 per job. A Peat Marwick 1996 study on the proposed new stadium for the Yankees determined the stadium would create 440 jobs at a cost of $800 million, or $1.82 million per job. In contrast, each job generated by the incentive program of the Maryland State Economic Agency costs $6,250.

Mark Rosentraub, one of the contributing authors of the Brookings study, investigated how stadiums affect urban space. Rosentraub found that in contrast to cities that did not build downtown sports facilities, the experience of cities with sports assets is not encouraging. For example, "from 1980 to 1995, the population trends in downtown areas in cities with downtown sports facilities declined more than

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in other communities, and job trends in central business district areas declined in both sets of communities at relatively the same rate." But Rosentraub also points out that facilities that are architecturally meritorious can and do become tourist attractions. Camden Yards in Baltimore is an example of a stadium that attracts tourists who simply want to tour the facility.

Sports stadiums, when combined with other major attractions nearby, can serve to revitalize a downtown. The Gateway complex in Cleveland that houses Jacobs Field and the Gund Arena in combination with the Great Lakes Science Museum, the Rock 'n' Roll Hall of Fame, Playhouse Square, and the Flats, which is the former industrial—now entertainment—area adjacent to the Cuyahoga River, can and does serve as a major tourist attraction. But even when revitalization is deemed successful, the financial investment should be weighed against the achieved goals. The public was told that its share of the cost for the Gateway was to be solely supported with "sin" taxes on alcohol and tobacco. It soon became clear that not only was the initial revenue estimate too low, but also the costs had been understated by over $200 million. Even under this rosy scenario, the financing plan was approved only by a slight majority of the regional voters, and it actually failed to pass in Cleveland.

The Brookings study concluded that sports stadiums do not appear successful at spurring economic development, retarding the deterioration of downtowns, or inducing significant expenditures from outside the metropolitan area. Not only do stadiums and arenas infrequently meet the stated objectives either of economic development or improvement of urban space, but also they often do not meet the third stated criterion: longer-term viability. As long as sports teams maintain their monopoly, they will continue to pit municipalities against one another, and teams will continue to find it financially worthwhile to get out of existing leases and move to communities offering bigger subsidies.

The second question is seldom asked and therefore rarely answered: Are there other entertainment options that can better meet the community's primary job creation, revenue enhancement, and urban space objectives? Consider that the new $100 million Frank Gehry–designed Guggenheim Museum in Bilboa, Spain, already has encouraged worldwide pilgrimages by art lovers from throughout Europe and the United States. Currently, Bilboa is attracting about 3,000 visitors per weekday, and double that number on weekends. Significantly, a high proportion of these visitor dollars are export dollars that generate jobs throughout this formerly industrial nontourist city. The new Getty Museum in Los Angeles also likely will introduce far more dollars into the Los Angeles economy than the Raiders did while they were there. From the perspective of revenue, jobs, and urban space, Bilboa made a wise decision and the city of Oakland did not.

A municipality might consider a new state-of-the-art multiplex cinema to boost a downtown or obsolete regional mall. Despite many consolidations, such as the recent Sony/Cineplex Odeon merger, the industry still is very competitive. Some theaters have added video games and recreational activities such as roller rinks, miniature golf, and family entertainment centers to keep patrons for longer periods. But will there be enough bodies to fill the seats? Most theaters depend on the under-25 crowd. Young adults go to more movies than other age groups; they also frequently see a favorite movie more than once.

But the demographics suggest the largest population segment still is represented by the baby boom generation—now middle-aged and soon to be young seniors. By 2010, the number of 55- to 64-year-olds will swell to 35.3 million—an increase of 65 percent between 1996 and 2010. Movies with mature themes, such as adaptations of Jane Austen novels, and coffee emporiums like Starbucks owe much of their success to catering to the preferences of baby boomers. A better product to serve baby boomers, therefore, might be a small, state-of-the-art theater complex, with no more than eight screens, that specializes in art and independent films and offers high-quality cappuccino and biscotti. Demographics do matter and need to be seriously evaluated when making comparisons among alternative forms of entertainment.

Critical issues for many downtowns and shopping centers include parking and the likely spillover to other tenancies. Theater owners typically ask for one space for every two seats, which often exceeds local zoning codes. But even if a 24-screen, 6,000-seat megaplex only requires one space for every four seats, that still involves 1,500 parking spaces. Too little parking may well harm adjacent retail and restaurant tenancies as movie patrons spill over into these spaces.

Most important for a downtown are its unique comparative advantages. Identify these and build upon them. Entertainment facilities should not be developed in isolation. Locational and activity linkages are needed to create the requisite synergy for the objectives of downtowns to be met. More often than not, "miracle" projects share certain demographic and economic strengths:

- The area—for example, Chicago, Las Vegas, New York, or San Francisco—already attracts an abundance of regional, national, and international visitors.
- The location has a high-density population that is underserved. This holds true for multiplexes in many high-density minority communities.
- The demographics and/or resources of the region have already stimulated a spontaneous retail, restaurant, specialty, and entertainment agglomeration that can be built upon—for example, the Napa Valley and Carmel areas in California.
- Tenancies offer unique products or services—such as museums like the Rock 'n' Roll Hall of Fame—that are unavailable in most communities.

Entertainment can help provide economic development and urban renewal. But, before risking public monies to subsidize a major entertainment facility, the right questions must be asked. Will the facility build upon existing market advantages? Will it produce more benefits than alternative options? Will it have legs well into the coming millennium? Everybody loves a miracle. Just do not bet the city treasury on one. ■