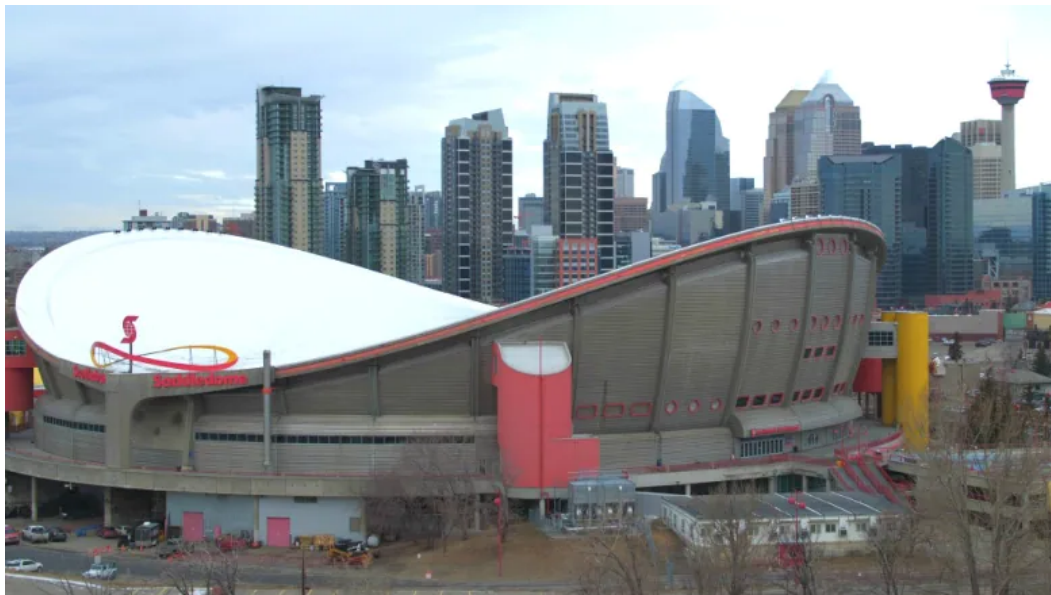


Business

Economists see little payoff for cities that subsidize pro sports facilities

Calgary Flames, city at loggerheads over plans for new arena

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The Calgary Flames said Tuesday they were pulling out of negotiations with the city over building a new arena to replace the 34-year-old Scotiabank Saddledome — the league's second oldest — because two years of talks have been unproductive. (Ed Middleton/CBC)

City subsidies for professional sports teams like the Calgary Flames can be justified in the name of civic planning, pride or politics, but suggestions that they result in net growth to the overall economy don't hold water, economists say.

The Flames said Tuesday they were pulling out of negotiations with the city over building a new arena to replace the 34-year-old Scotiabank Saddledome — the league's second oldest — because two years of talks have been unproductive.

- [Calgary 'remains at the table' in new arena talks, Nenshi says](#)

Some proponents of giving land, loans or direct subsidies to professional sports projects say the investment is repaid in economic benefits for the city but economists

say numerous studies have shown that's not the case.

"Overall, the research is pretty clear that there aren't aggregate benefits of such subsidies for the city as a whole," said Trevor Tombe, associate professor of economics at the University of Calgary.

"What they really end up doing is shifting activities across sectors and across locations."

Tombe said public subsidies for professional teams usually only benefit political careers of city politicians: "Cynically, I would phrase it as it provides a very good photo op."



University of Calgary economist Trevor Tombe says public subsidies for professional teams usually only benefit political careers of city politicians. (CBC)

Justification for subsidies

Conference Board of Canada senior fellow Glen Hodgson, who co-authored *Power Play: The Business Economics of Pro Sports*, agreed that taxpayer money spent on an NHL arena takes away funds that might be used to build public recreation centres, libraries and schools.

But he added that while there's generally no net economic benefit, subsidies can still be justified if they allow a city to reach certain planning goals. He used as an example the \$614 million supplied by taxpayers, ticket buyers and the team to build the Edmonton Oilers' arena which opened a year ago.

- [**Stephen Mandel says threat of losing Oilers was 'big card' in arena deal**](#)

"It looks like an expenditure until you look at what it's doing for downtown Edmonton, where you're bringing all of the economic life back to the centre of the city," Hodgson said.

"Edmonton is going to do very well with development fees, with higher property taxes from downtown, where it may actually turn out to be a really clever investment for Edmonton to move the building downtown (from northeastern suburbs)."

He said the same argument can't be used to justify subsidies for a new arena in Calgary because its downtown is still "quite vibrant" despite lower economic activity from depressed oil prices.

Measurable intangibles

Studies show that intangible benefits of professional sports are measurable and go far beyond ticket sales, according to Dan Mason, a professor of sport management with the University of Alberta.

"The research shows that there actually are substantial intangible benefits," he said, citing as an example the smiles on Edmonton faces during the Oilers' playoff run last spring.

"However, because in North America we work in a closed market system where the leagues artificially reduce the number of franchises and then they use cities against one another, typically the public subsidy is greater than what the intangible benefits are."

- [Here's how Calgary's Saddledome stacks up against other NHL rinks](#)

Mason said some research finds that facilities built for professional sports teams may increase property values in nearby neighbourhoods, therefore boosting tax revenue for the city, but suggestions that job creation and tourism also benefit are generally not true.

The Flames initially proposed in 2015 that an arena, football stadium and public field house be built for \$890 million on the west end of downtown. The team offered to contribute \$200 million and proposed a \$250 million loan be repaid through a ticket surcharge.

But city council declared the project would cost a lot more than that — around \$1.3 billion — and taxpayers would have to foot over \$1 billion of it.

The second plan, for which no price has been estimated, is to build the arena near the current facility on the east side of downtown.

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