

Witness: Nick Licata, Councilmember, City of Seattle, Washington State

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Committee on Oversight and Government Reform

HEARING: State of Urban America

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Thank you, Chairman Kucinich, Ranking Member Issa, and members of the Domestic Policy Subcommittee for the opportunity to speak with you today. I am Nick Licata, a Seattle City Councilmember. For the past 12 years, I have been at the heart of Seattle's debate about the use of public financing for professional sport stadiums.

In 1995, before I was elected to the City Council, and while I was still an insurance broker, I co-founded Citizens for More Important Things, along with two other businessmen, Chris Van Dyk and Mark Baerwaldt. This group fought the use of taxes to construct three stadiums for professional sports organizations over the past dozen years. Since becoming a City Councilmember I have continued to be involved in this issue.

Appendix I provides a chronology of the efforts to secure public funding for these facilities in Seattle. It is a pattern that has been repeated across the nation, where perfectly useable facilities are declared too shabby for the home team. If they are not replaced with a more expensive facility, it's adios amigo to the home fans. Consider our experience with three different professional sport teams.

Seattle rebuilt our Seattle Coliseum in 1995 to the specifications of Seattle's professional basketball team, the Supersonics, creating the state-of-the-art NBA Key Arena at a cost of \$75 million in public money. The sale of luxury boxes was to pay off the construction bonds. When the team could not sell enough of them, the city had to pick up the tab. Nine years later, after the City had paid millions annually and with over half the public debt still outstanding, the team said that the facility was outdated and it could not be profitable unless the public invested over \$200 million for a new facility. When they got the cold shoulder from political leaders and the public, the Sonics were sold for an estimated \$80 million profit to a new owner, who now wants the public to contribute more than \$400 million for an even bigger facility, this time in a suburban area.

In 1995, while the City was remodeling our Coliseum for the Supersonics, our professional baseball team, the Mariners, declared that their venue, the 18 year old Kingdome, was obsolete for baseball, and threatened to leave Seattle, if they were not provided with a new stadium with a retractable roof, at a cost to the public of over \$300 million. The previous year the County had spent \$73 million repairing the Kingdome's leaky roof. A few weeks after local voters rejected a sales tax increase to pay for the new Mariners stadium, the State legislature met in an emergency session, to approve a tax package that eventually built it, despite voter's wishes.

The Seattle Seahawks, seeing how successful the Mariners were, demanded significant remodeling of the Kingdome for football in 1997, threatening to move to California if they did not get it. Before they could move, Microsoft Co-founder Paul Allen purchased the team, subject to public approval of a \$300 million public funding package. He spent \$7 million on the election, outspending opposition 21 to 1, and won by approximately 00.2 percent. The Kingdome was then imploded, with about \$100 million in debt still unpaid.

What does this pattern reveal? It says just what our City Staff discovered when reviewing the life of professional sport facilities around the nation. "When public money is used, professional sport facilities are remodeled every six years." Why, because public money is readily available and free to the teams. They have little reason to conserve it.

Where does this money come from? Proponents have argued that these taxes are insignificant since they are on restaurant meals, hotel rooms, car rentals, and other retail purchases. This mixture of revenue streams does mount up. If pending state legislation passes for the new Sonics basketball arena, and a speedway that NASCAR has requested, our City, County and State governments will have contributed a breathtaking \$2.3 billion over the past dozen years for new professional sports venues.

This money could have gone to provide public benefits or public facilities with a broader, more important use. For instance, City admission taxes used to fund such services as police and social services; there are County service taxes which could go to hundreds of local community groups to support economic development; and finally there are State retail sales taxes that normally fund education throughout the state. And while our state does not have an income tax, there are 45 states that do, and issuing tax exempt bonds for building professional sport facilities deprives those states and the federal government revenue to provide these same basic services.

What about the benefits from these facilities? I'm no economist, but what I have seen in Seattle, and in other cities that I have visited in my capacity as a member of the National League of Cities, has not revealed any lasting advantage of subsidizing huge stadiums or arenas. While some retail businesses do more business on game nights, overall there is meager visible evidence that new stadiums improve urban living or increase retail shopping in their vicinity. Our own Seattle experience, as evidenced in Appendix 2, shows that certain crimes increased around the two new stadiums from what they had been previously in that same neighborhood, contributing to increased public safety costs.

Our city had an economic down-turn after the two new stadiums were built. This was a national recession, but there was no sign that the stadiums softened its impact. If anything, they denied us revenue that could have avoided cutting city services.

Municipalities need to provide more important public services than building half-billion dollar multi-hundred sports venues whose primary purpose is not the enjoyment of sports games but producing profits for team owners and huge salaries for players. The Federal Government can stop this trend by using its regulatory authority. I urge you to do so.