

Another Proposal for a Sports Stadium? Based on Ottawa's Experience, Cover Your Wallet with Both Hands, and Run! Run!!

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The July 1999 issue of the *West End Chronicle* (Ottawa) carried a full page article that I wrote on the barrage of begging and badgering that marked the Ottawa professional hockey scene during the previous ten years. Key events up to mid-1999 included pursuing and “landing” a National Hockey League franchise (for a fee of \$50 million U.S.), and then going through all kinds of hoops and over all kinds of hurdles to raise money, find people with deep pockets, get lands re-zoned, raise more money, tie into the expanded road, water, and sewer infrastructures, build a stadium, seek tax relief, and doing whatever else it took to keep the entire operation from going under, or south as was often threatened.

Now, almost 10 years to the month of the 1999 article, the current owner of the Ottawa Senators hockey club is floating a proposal to build a soccer stadium as part of a massive development of lands which he owns next to the hockey stadium.

Further, there is another proposal making the rounds that involves re-furbishing or re-building the football stadium in downtown Ottawa.

And, to round out the stadium triple play, or triple option, all kinds of notions are being run up and down the proverbial flagpole about salvaging a recently-built, empty baseball stadium.

Perhaps in part because of the 1999 article, I have been asked to comment on the soccer stadium proposal, and on the football stadium proposal, as well as on the sorry state of a stadium that was built at public expense ten years ago for minor league baseball, and now has no tenant and seemingly no prospects.

Unfortunately, I am unable to take on any of those tasks at present due to professional commitments. However, it seems to me that the 1999 article is pertinent to many aspects of today's stadium promotion situation, and includes several sections and messages that I would no doubt recall upon doing an assessment of the current situation.

That is, while many of the operatives have changed, there appears to be a great deal of "same old, same old" in common between the political, social, institutional, financial, planning, and boosterism aspects of the hockey stadium epic, and the current, multi-component stadium saga. As a result, the 1999 article has been retrieved from the files, and is posted for those with an interest in the issue.

I hasten to emphasize that I am not offering an opinion on any of the stadium matters. Rather, I am simply making available a report written ten years ago, and anticipate that it may be useful to those seeking to understand some of the nuances behind current forays into the stadium promotion field in the Ottawa area.

Further, since the nuances associated with the promotion of professional sports stadia in Ottawa seem comparable to those present in other locales, it occurs that the commentary on the Ottawa experience could be of value to people elsewhere who are concerned about "the stadium initiative" in their communities.

As for the new title, it is a reminder that in the final analysis development proposals of any kind are invariably about money, almost always other peoples' money and, most frequently, taxpayers' money.

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The text which follows was initially presented under the title, *Senators Tax Plea on Thin Ice*, and was originally published in *The West End Chronicle*, (Ottawa), July 1999.

There are those in the media - - publishers, editors, columnists, commentators - - and in the Kingdom of Sports - - executives, owners, shareholders, players, fans - - who are begging and badgering to have other peoples' money spent to sustain the privately-owned Ottawa Senators and the privately-owned Corel Centre.

Upon examination, however, it becomes clear that the begging and badgering in search of tax relief, tax benefits, tax shifts, etc. are not based on principles of good planning, good economics, good investing, or tax fairness. And, in the final analysis when one cuts through the rhetoric, the begging and badgering are actually only remotely related to the status of hockey as Canada's national game.

The following comments are offered as points to be openly addressed before politicians at any level start using taxpayer dollars in a bail-out or life-support program to benefit the Ottawa Senators hockey club or the Corel Centre.

In the first instance, and at the root of current, purported cash-flow problems, the test of good planning was not met in regard to the location of the hockey facility. I refer to the Regional Official Plan and Kanata Official Plan amendment and rezoning referrals that were heard by the Ontario Municipal Board (OMB) in 1991.

To facilitate the amendment and rezoning referrals, the Regional Municipality of Ottawa-Carleton invoked a *notwithstanding* clause, a powerful and rarely used planning instrument. The consequence of that action, in effect, was to dismiss the just-completed Official Plan review process in aid of a development initiative that contradicted numerous other, approved Official Plan components.

To put the 1999 beggings and badgerings in context, the rezoning case before and during the OMB Hearing in 1991 was made by then-Senators owner Bruce Firestone, and a batch of hired witnesses and supporters. They argued passionately, via demonstrations, the media (press conferences, letters, etc.) and at the Hearing for the amendments and

rezonings that would allow them to build the Palladium/Corel Centre where it now sits, and to thereby "Bring the NHL back to Ottawa."

At the time that part of the Region was not adequately serviced - - water, sewer, roads, 417 interchange, transit - - yet no other location in Ottawa-Carleton was regarded as acceptable. In other words, the Plans had to be amended and the land rezoned, regardless of the lack of infrastructure, or the Senators franchise would go elsewhere. (Whoa, that has a very familiar ring.)

From the get-go, then, and by choice, the ownership of the Senators authored any service-related misfortunes that might befall the hockey club or facility. After all, they called the shots on the location, amendment and rezoning issues. As a result, it is now bizarre in the extreme to beg and badger for other people's money to pay for self-inflicted development costs and charges.

Furthermore, and before politicians start spending ordinary taxpayers dollars on the Senators, it is instructive to recall that the rezoning application involved a total of about 7,000 acres.

The Palladium/Corel Centre lands for which OMB approval was given occupy only about 125 acres, so what was the intended purpose of the other 6,875 acres? To make money! And lots of it! The expectation, as is generally the case, was that low-cost agricultural land rezoned to commercial/residential development would yield a very healthy rate of return, with the Senators and the Palladium providing the catalyst to make the development happen.

For a host of planning reasons and as noted by several witnesses at the OMB Hearing, the facility should never have been located in a relatively remote, under-serviced part of Ottawa-Carleton. However, and this is a critical point, the financial and other negative consequences of those earlier planning-based errors were all fully known well before Mr. Bryden bought into the Senators and Mr. Firestone departed. Does *caveat emptor* ring a bell?

As for the much-touted notion of economic benefits generated by the Senators, there does not appear to be any actual evidence to support such claims. Again, for context purposes, it is instructive to recall that the promise of economic benefits was a central part of the petition for Plan

amendments and rezonings, before and during the OMB Hearing in 1991. Given that reality, the current spate of beggings and badgerings prompt several questions.

- 1. Why have there been no articles in the media which present and discuss evidence on the economic benefits that are purported to be accruing to people, businesses, governments, etc., in Ottawa-Carleton (and elsewhere in Canada for other professional sports franchises).**
- 2. Why have elected officials at the municipal, regional, provincial and federal levels who were contacted by this writer not seen a current, comprehensive report which gives credence to the claims about economic benefits?**

The total absence of such evidence, and in particular its absence from stories in the media, leads to the inevitable conclusion: the claimed economic benefits simply do not exist.

And that finding should come as no surprise, since it is consistent with the findings of professional sport studies over the years. That is, the discretionary nature of spending on sports entertainment, and the relatively small number of out-of-region customers who bring "fresh" money into an area, make sports franchises very poor economic instruments.

As for the principle of good investing, it is tied directly to the lament that U.S. state and local governments use taxpayer dollars to build or subsidize professional sports facilities, and offer various inducements to teams to locate or re-locate in their communities. Teams that come to mind as having re-located due to such favours include the Braves, Browns, Cardinals, Colts, Dodgers, Giants, Hawks, Jazz, North Stars, Raiders and Rams.

The fact of the matter, however, is that such practices in the U.S. have been a matter of public record for decades. As a result, the practice does not constitute a nasty surprise, nor does it involve unseens and unknowns that emerge from the ether to beggar unsuspecting investors in sports franchises in Canada.

Clearly, the appropriate financial remedy for the Senators hockey club lies within the purview of NHL owners/shareholders/players. They are the group beneficiaries of any subsidy practices, and there is no legitimate call on Canadian taxpayer dollars - - local or provincial - - to follow similar U.S. taxpayer dollars into the bank accounts of NHL owners/shareholders/players.

It also warrants noting that trying to blame competing U.S. communities and states for driving up players' salaries gives a whole new meaning to "escalation clause".

In the next round - - after Canadian taxpayer pockets have been plundered - - U.S. owners would cry foul. They in turn would plead for more breaks from their governments because Canadian franchises are paying higher salaries and creating better teams. The net result is that players get richer, franchises increase in worth, and taxpayers get ripped off. Over and over, *ad infinitum, ad nauseum*.

As for as pleadings about exchange rates, and the difficulties that are caused due to differences that dis-favour Canadian-based teams, they are a real stretch. It is worth recalling that at the time of franchise purchase the respective values were \$50 million U.S. and approximately \$62.5 million Canadian. Moreover, exchange rates between the U.S. and Canada have fluctuated for decades.

A principle of good investing is to exercise due diligence in regard to exchange rates, and to build in safeguards that deal with them. In the apparent absence of due diligence, however, the remedy does not lie in picking Canadian taxpayers' pockets to balance the books of NHL owners/shareholders/players. Rather, they should use their own money and work out their own level of fairness. After all, if the prices of franchises and salaries of players were not so outrageously high in the first place, the exchange rate problem would be greatly reduced.

And, as a further, important comment on good investing principles, it is necessary to call attention to one of the unmentionables in the fairness equation.

One investment item not frequently mentioned by Senators' proponents is that the really big bucks are made by asset or capital appreciation. And, to

the extent that the purchase price itself can be written off (transferred to taxpayers), the investment ledger gets even healthier.

One problem with the begging and badgering situation, therefore, is that while we hear a great deal about the operations part, very little is said about the gains to be realized when the investment is sold. If and when the Senators books are opened, this aspect warrants special attention since this is where the big bucks are buried.

In regard to tax fairness principles, they have been evolving over the centuries, and take into account a number of societally significant issues. As a result, it is bravado or naïveté in the extreme to expect that the mere claiming of tax unfairness is or should be sufficient for governments at any level to start dishing out tax-related favours to any corporate entity, including the recently-arrived Ottawa Senators.

Surprising as it may seem in view of all the noise being made, it does not appear that the calls for tax breaks, tax relief, etc. are supported by evidence that demonstrates unfairness in how various taxes are levied or calculated for the Corel Centre, or the hockey club as a corporate entity.

And as for throwing the proclivities of U.S. states and cities into the tax-break hopper, or cursing variations in exchange rates, they have nothing whatsoever to do with fair tax principles and practices in Canada.

Finally, the notion that National Hockey League owners, shareholders, players and games are the essence and spirit of Canada's hockey is, on the evidence, sublime nonsense.

Many, many thousands of Canadians, male and female, from children through to seniors, play pond, rink and arena hockey from early morning to late at night in communities small and large from coast-to-coast, and from the U.S. border to the Far North.

Moreover, many more Canadians participate on a daily basis for many months of the year by coaching, supervising, running leagues, fund-raising, driving players, etc.

And, most important, the non-NHLers are involved primarily for the love of the game, not for the love of money.

Conversely, it appears likely that fewer than 2,000 Canadians are actively involved in the NHL in any year, less than 200 of them are players, most if not all are very attached to the money aspect, and the game is played by only six Canadian teams.

In terms of presence alone, therefore, it is silly at best to argue that any NHL franchise or the NHL in total represents the essence of Canadian hockey culture. Rather, the essence of hockey in Canada is found on thousands of ice surfaces, driveways, streets and parking lots where it is the game itself that matters. The NHL is a commercial operation that begins and ends with money, with the game itself reduced to the role of a means to an end: money.

As for those who are uneasy about referring to the NHL as a poor measure of the state of hockey in Canada, the following test should clear things up in a hurry.

On the one hand, attend several NHL games. It tends not to matter where, or even who is playing. You will be "entertained" by an ear-splitting sound system blaring out various and sundry inanities including a never-ending appeal for "wake-the-dead" cheers, seemingly to juice others in attendance.

But there's more! TV screens, strobe lights, dancing guys, jiggling girls, the wave, prancing mascots, kids and adults vying to get on in-house TV, never-ending marquee messages, the wave (again), t-shirts and hot dogs shot into the stands by slingshots, remote-controlled balloons, excessive prices for fast food, etc. And something to really stir your passions at the good old hockey game, players lolling along the boards during time-outs for TV commercials.

As for NHL hockey itself, it is a good idea to prepare by watching paint dry for a couple of hours before venturing into the sports palace. The excitement level can get right up to yawn-inspiring, thanks to lousy ice, dead boards, rampant hooking, dump-and-chase, the left-wing chokehold, the right-wing trap, the neutral zone snooze, more hooking, and other slow-it-down tactics employed by inferior players and teams.

Then, for comparative purposes, take in some shinny on the neighborhood rink, novice hockey of any kind, house league hockey at any level, competitive A, AA and AAA games in contact and non-contact

leagues, elementary and high school hockey, college hockey, old-timer hockey, and a game or two at the Junior A, B, C, D levels.

The consensus opinion of those familiar with NHL and non-NHL games rate the former as dreary, passionless and largely forgettable events that are long on hype but short on effort, enthusiasm and excitement. Outside the NHL palaces, however, the thrill of playing and watching Canada's game is as alive and well as was ever the case. And, it will remain so regardless of the fate of the NHL in general or any Canadian franchise in particular.

The bottom line, therefore, is that from a public interest perspective there is no good reason to bestow tax favours of any kind on the Ottawa Senators or the Corel Centre. And, conversely, no evidence has been made public to demonstrate that either the franchise or the facility is receiving unfair tax treatment of any kind.

As a result, the begging and badgering by and for the Senators is best dismissed as a failed corporate attempt to dip into ordinary taxpayers' pockets. That done with dispatch, then maybe the owners, shareholders, executives and players will get on with healing themselves.

Perhaps things have changed in the stadium promotion business, and my 1999 commentary does not hold in 2009. If so, I look forward to seeing the evidence in that regard. Upon receipt of same, I will gladly accept that the new title is inappropriate, and will revise it accordingly. B. Wellar.

(Barry Wellar, MCIP, RPP, PhD, was retained by the Federation of Citizen's Associations of Ottawa-Carleton to appear as an expert witness at the 1991 OMB hearing on the Palladium, which was subsequently re-named the Corel Centre, and then Scotia Bank Place. He retired from the University of Ottawa in 2005 and formed Wellar Consulting Inc., also in 2005. (<http://www.wellar.ca/wellarconsulting/>)

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