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New Kings arena would add 229 permanent jobs, report says

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By Phillip Reese and Dale Kasler
preese@sacbee.com
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In return for building a new \$300 million arena for the Kings, Sacramento would gain 1,300 temporary jobs and 229 permanent jobs, according to a new report commissioned by Mayor Kevin Johnson's arena task force.

Left unsaid in the report, scheduled to be released today, is who would pay for the arena or whether enough new jobs would be created to justify what could be a large public investment.

The report also refrains from projecting how many jobs might be created by development that would spring up in the vicinity of the arena – information often included in such research.

Prepared at no cost by Sacramento consultants Capitol Public Finance Group, the report will be presented this afternoon to the mayor's Sacramento First task force, which has attracted seven different arena proposals. The task force provided The Bee with a copy of the report, but co-chairman Chris Lehane declined to discuss its contents.

Stanford University economist Roger Noll called the report "remarkably honest" but said it doesn't bolster the case for a new arena.

"Two hundred jobs is nothing," said Noll, referring to the permanent jobs the report estimates would be created. "You induce Macy's to open another store and you get that."

A critical issue, Noll said, is how the arena is financed. If taxpayers pay the bulk, that takes dollars out of their pockets, blunting at least some of the economic benefit. "How much are you willing to pay to get 200 jobs?" he asked.

In 2006, Sacramentans voted down a sales tax increase to build a \$500 million arena in the downtown railyard. The new report, using comparisons drawn from recently built NBA arenas elsewhere, assumes a \$300 million price tag, but doesn't discuss funding sources.

Sacramento Metropolitan Chamber of Commerce Chief Executive Matt Mahood said much of the economic impact of the arena would come in the surrounding area after it is built. The report cites examples of where that has happened, but does not speculate how many jobs will be created if such revitalization happens.

"That's not the scope of the report," Mahood said. "It doesn't say, 'You build X and Y is going to come.' "

The report says 4,100 permanent and temporary jobs would be created in total, the vast majority during construction. But because some of the contractors and suppliers would reside outside the area, about 1,300 jobs would be created in Sacramento during construction, yielding about \$52 million in salary.

Once the building opens, the economic impact would grow, the study says. Because the arena would be larger and have more amenities than Arco Arena, it would take about 375 extra workers to operate it.

The study makes allowance for what's known as the "substitution effect." That means that the money spent by fans at the new arena takes dollars away from other entertainment venues in the community. The study also acknowledges that some of the new employees will live outside the city. Given those factors, the net gain in permanent jobs within the city is 229.

For a city in economic crisis, even that number of new jobs could provide some relief. The four-county Sacramento area has lost more than 40,000 jobs in the past year, raising unemployment to 12.4 percent.

Jeff Michael, an economist at the University of Pacific, said the new jobs would be a significant boost to the economy. But he questioned the validity of the study, saying it doesn't take into account the source of funding for the new arena. "It makes the (job) numbers kind of meaningless," he said.

Funding matters because if a city raises taxes to pay for an arena "you can't spend on clothes or food or whatever you spend your money on," said Andrew Zimbalist, a sports economist at Smith College in Massachusetts. "It reduces demand for other goods and services in the community."

The mayor's task force is set to take up the issue of funding for the arena at a Jan. 21 meeting.

Once it's in operation, a new building can create some positive economic impact if it draws in visitors from outside the area, Zimbalist said. But the economic impact tends to be marginal, he said.

Location of the arena is critical. If it's built on a site that spurs more commercial or residential development nearby, it can help the community economically, Zimbalist said. The arena might not pay for itself, but "the entire project could have a positive impact."

Call The Bee's Phillip Reese, (916) 321-1137.

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tarpleyc wrote on 01/07/2010 03:42:26 PM:

I have read alot of comments on here regarding the people of Sacramento have voted no on public funding of a new arena 3 times enough already. Well the people of the State of Ca. Have voted twice regarding Prop 8 and they wont go away. Face it the majority of the people that do not want a new arena have never been to other Cities that seen how they have rejuvenated the city. It is funny looking at other games on TV and they show all the business' around the Arena and for Sacramento they only show the capital and the tower bridge. Why? because there isnt anything around Arco.

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CarmichaelPatriot wrote on 01/07/2010 03:26:08 PM:

Sacto_J - If you're so in favor of a new arena and think it's an economically viable investment, put up \$1 million of your own dollars then find 299 friends to do the same.

Arco Arena was not the catalyst for the expansion into Natomas that you seem to think it was. It was cheap farm land purchased by the Tsakopolous' who then paid off the city council to rezone it for development. And look, now it's the most at-risk flood zone in the country!

Amazing what a few bucks paid to the right politicians will get you.

If the Maloofs want a new arena, they can build it themselves. They'll be the ones benefiting from it, so they should foot the bill. Maybe

that way it'll come in on time and on budget. We know that if the city or county does it, neither the schedule or budget will be regarded as fixed targets.

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Sacto_J wrote on 01/07/2010 02:46:22 PM:

inserts fingers into ears "lalalalalalalala....."

That's a solid re-enactment of Righteous1's (and many others) attitude, to say nothing of his ignorance (an NBA team in LV will never happen thanks to Donaghy.) And LizardLady, please think twice before littering the thread with your bigoted, spiteful statements. We already have the stigma of being a redneck cow-town and you're only perpetuating it. Look, most are of the same opinion - we don't want to see it put to a vote for public financing. Now, pull the fingers out of your ears (and A\$\$3\$,) so we can move forward. You can't talk private financing until you've discussed and settled on location. Seriously we're all adults, but all i hear from half the people is the same song and dance. "The People of Sacramento have spoken, no public financing." Any chance the rest of you can catch up to the fact this article says nothing about public financing? Any chance for a REAL discussion about an arena?

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Righteous1 wrote on 01/07/2010 02:29:35 PM:

Once again, the people have spoken with a resounding NO! Anybody can spin the numbers to present a half baked justification to the Arena, but the facts remain the same. The people of Sacramento are unwilling to fund the Arena with tax dollars. I'm willing to place my vote with the next candidate running for mayor of Sacramento that is willing to support the majority of residents who believe any new arena should be funded by private enterprise. Better yet, let's all chip in and buy the Maloofs and the Kings matching luggage and drop them off at the airport. What goes to Vegas, (hopefully) stays in Vegas.

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hite916 wrote on 01/07/2010 02:19:12 PM:

What is the math on those taxpayers dollars? \$1,300,000 per job???

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JeezLouise wrote on 01/07/2010 02:10:18 PM:

Well I do love sports, and I love the kings, but at the same time, 300 million dollars is a lot of money, and at the same time, 230 perm jobs, and 1,300 temp jobs, they will all pay minimum wage really... The food and drinks, the parking, the janitors, the guys who change light bulbs and fix the plumbing. Minimum wage doesn't help the economy none because all the money goes to the owners and players. I mean it's some money and will help since a lot of people are out of work, but at the same time....minimum wage.. agh. The rich get richer and the po' get po'er. Oh well. =(

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LizardLady wrote on 01/07/2010 01:58:59 PM:

I've got a better idea. They will have this new arena paid for in a New York Minute if they just take it off the player's salaries. You know those players? The ones who come out of the ghetto, the foreign country, the third year of college, grade school, (mentally), and then foister their standards on the public by implying they are above the law? Yeah, those guys.

Salary caps. And then you'll have your 300 million in a couple of years. Guaranteed.

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VACAJOE1 wrote on 01/07/2010 01:47:33 PM:

tricky move you don't belong here your so sophiscated. How about this place a surcharge on each ticket dedicated to the building of a new arena. This for all events. When they get enough money build it.

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Sacto_J wrote on 01/07/2010 01:46:43 PM:

If 6 flags found a developer to plop a new amusement park in the railyards (or some similar location) at no cost to the city or taxpayers, half the town would be ready with their own shovels to start leveling the dirt, but you mention an Arena and people don't even listen anymore. I think the mayor is well aware of how the last props.

played out here, so maybe give this an honest chance before people grab their pitchforks and torches is all I'm trying to say...
- And thanks BBS....

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