

Was AT&T Stadium Worth the \$1 Billion Investment?

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Background

- ❑ Location: Arlington, TX.
- ❑ Capacity: 80,000 (100,000 with standing seating).
- ❑ Envisioned by Jerry Jones in 2005, debut in 2009.
- ❑ Total cost: \$1 billion.
 - ❑ Team cost: \$650,000,000
 - ❑ Public financing \$350,000,000

City Perspective

To determine whether or not it is worth it for a city to build a new stadium for their sports franchise, they must take into account all the benefits over a certain time period and factor in interest. The benefits are the positive externalities that come from the new stadium.

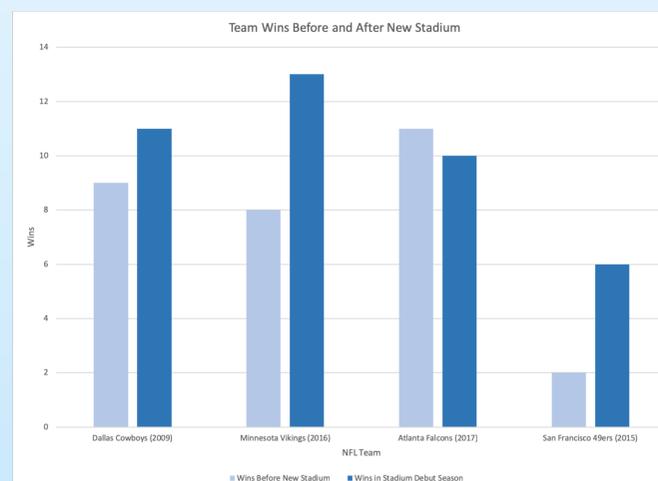
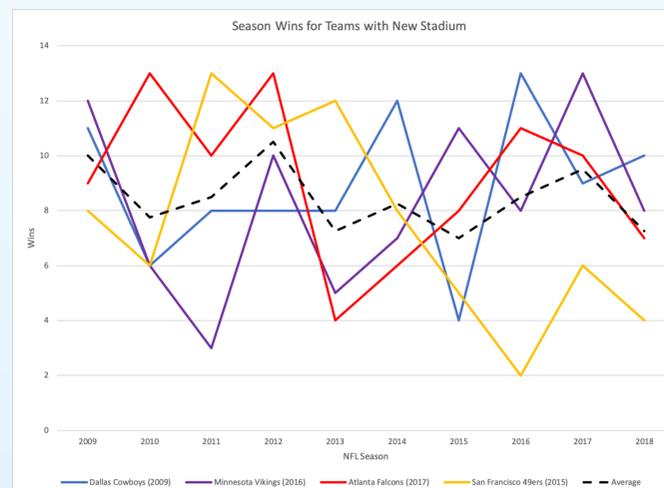
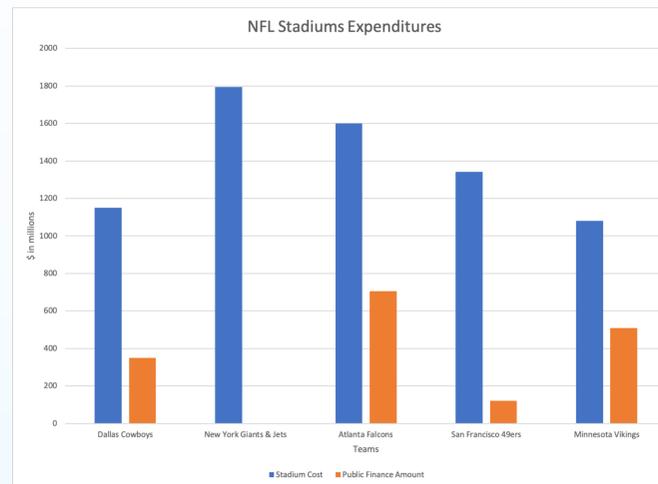
$$V = B_1 / (1+r) + B_2 / (1+r)^2 + B_3 / (1+r)^3 \dots$$

Team Perspective

The team compares the present value of the project to the annual revenue stream it would receive from the new stadium. The Cowboys reported \$864 million in revenues in 2018.

$$PV_F = R_1 / (1+r) + R_2 / (1+r)^2 + R_3 / (1+r)^3 \dots$$

Data



Discussion

- ❑ Building a new facility can also impact the number of wins a team achieves.

$$P_i = R(w_i, A_i) - C_0 - C(w_i)$$

- ❑ Revenue increases with wins as fans become more attracted to the team and fixed costs do not increase so profit is achieved if the added revenue exceeds fixed costs.

- ❑ Who decides to provide public financing to a sports facility?

- ❑ Local governments vote on whether or not to accept the project.

- ❑ Where does the funding come from?

- ❑ Selling bonds and imposing taxes or fees. In the case of the Cowboys, Arlington sold about \$298 million in bonds and implemented a 0.5% sales tax, 2% hotel occupancy tax, and 5% car rental tax.

P (\$ Per night)

