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No NBA season? Businesses may be benched

As players, owners talk, fans could spend money elsewhere

BY PETER KORN

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You've got to feel for Timothy Davey. The affable Davey is general manager of Spirit of '77 on Northeast Martin Luther King Jr. Boulevard, a few blocks' walk from the Rose Quarter.

Davey rushed to open Spirit of '77 last October, 10 days before the first Trail Blazers game of the year. Spirit might be classified as a sports bar, but foremost it is a Blazers fan hangout, according to Davey. Last year, 82 of the bar's busiest 100 nights were Blazers game dates. Fans stop by before and after attending the games, or to watch away games on television.

• **[Click here to read the report on the economic consequences of professional sports strikes and lockouts.](#)**

• **[Click here to read the report on the Sonics' economic impact on Seattle.](#)**

• **[Click here to read the report on subsidies for sports franchises and stadiums.](#)**

Training camp should be three weeks away, but the NBA is at odds with its players over negotiations for a new collective bargaining agreement, and the executive director of the players' union says cancellation of the season is likely.

If union official Billy Hunter is right, it's going to be a winter of adjustment for Portlanders. For some more than others.

Arena ticket sellers, vendors and parking attendants could lose jobs along with Blazers front office staff. In addition, the city of Portland's 6 percent take of ticket and parking revenue from Blazers games – \$3.65 million last season – would disappear.

Spirit of '77 manager Davey says no business in town would be more affected by a prolonged NBA lockout than his. "If it gets to the point where there's not an NBA season, it will have a dramatic effect on the vitality and future of Spirit of '77," Davey says.

But if you listen to the people paid to analyze these things, the economic impact on Portland from a lost NBA season will be practically nil.

Considering the cost of tickets and parking, concessions at the game and restaurant tabs before and after, what the majority of economists are saying doesn't seem possible. Folks who have studied cities that have had teams leave or seasons cut short due to labor disputes say, much like a 10-point fourth quarter Trail Blazers lead, the economic benefits to cities from pro sports is mostly illusory.



CHRISTOPHER ONSTOTT / TRIBUNE PHOTO

Spirit of '77 near the Rose Quarter is hopping when there's a game in town or on television. But when a game is canceled — in this case, the Timbers' weekend match in Washington, D.C., because of Hurricane Irene — business isn't guaranteed. Without an NBA season, the bar, like other Portland businesses, would suffer.

In fact, increasingly they are saying that the idea of a sports franchise providing economic benefit to a city is a fraud perpetrated on the American public by team owners looking for public concessions. The culprit is what economists call the “substitution effect.”

“People spend their discretionary income,” says Lauren Beitelspacher, Portland State University assistant professor of marketing. “They have a budget for entertainment, and they’re going to spend it.”

If they’re not spending it on Blazers game nights, Beitelspacher says, they may go out to the movies more often, or out to dinner or on extra vacations. But they will spend it. And in some cases, what they spend it on might yield greater benefit for the Portland area than putting it in Blazers owner Paul Allen’s pocket.



Tribune Photos: Christopher Onstott • A tiny Blazers fan (above) joins thousands cheering during the April playoffs against Dallas, but the area around the Rose Garden can be eerily quiet when there isn't a game (below). Some economists say fans will simply shift spending elsewhere should the NBA season be canceled this year.



Paul Allen's investments

Brad Humphreys, an economist at the University of Alberta, studied cities where pro teams experienced strikes and lockouts, including the 1998-99 NBA lockout, and he found that per capita income in the metro area might actually rise when sports teams go on strike or depart.

Humphreys offers a couple of possible explanations. One is that the alternative entertainment that people choose – dinner out, movies, bowling – might provide greater local economic impact than the dollars spent at an NBA game.

Another possibility, Humphreys says, is that sporting events also require public spending on items such as police for traffic and crowd control. No season, no public spending –and more money stays in citizens' pockets, who have more to spend in the local economy.

Humphreys also theorizes that metro-area worker productivity declines because some employees waste time talking about last night's game.

That last theory provides a hint about just how inexact the science of economics can be. Sports franchises, Humphreys says, don't create many new jobs because they are not bringing in significant money from outside the community. The largest chunk of outside revenue is the approximately \$30 million in national television money doled out to each franchise. But Humphreys says most of that money goes to pay player salaries and most players don't spend their money in their team's town. They save it or spend much of it in their hometowns.

"Study after study is never able to find economic impact from (sports franchises)," says Kurt Rotthoff, a Seton Hall University economist. "There's just no increase in jobs, there's no increase in wages. The politicians have been using exacerbated numbers for many years, which have not been substantiated, to get public funds to build stadiums, and in study after study they have been shown to be wrong."

Blazers revenue doesn't circulate much in Portland, says Portland State University business administration assistant professor Gerald Mildner, who has written about the business of sports.

"The leakage of that money is pretty quick," Mildner says. "It goes into Paul Allen's investment accounts, it gets spent in Florida if he retires in Florida, it gets spent by his heirs. Probably very little of that sticks in the Portland market."

Still, Mildner says in the event of a canceled Blazers season, some of the alternative entertainment chosen by fans might not yield the local revenue that game night does. Sports fans might send their money out of town buying sports video games or increasing their subscriptions to cable companies, he says. Some have suggested that diehard basketball fans might use their leftover cash to place more bets on sporting events.

The concept of moving money around doesn't mean that nobody gets hurt. Spirit of '77 would be a loser, but restaurants and bars in Lake Oswego, home to a number of season-ticket holders, would probably be winners.

What about Seattle?

There are dissenting voices on the idea that sports franchises don't matter economically. Lon Hatamiya, director of Navigant Consulting in Sacramento, prepared a study for the city of Seattle in 2008 detailing the economic loss the city would suffer when the Sonics moved to Oklahoma City the next season. That study was used in a lawsuit the city filed against the team, which eventually was settled out of court.

According to Hatamiya's study, Seattle stood to lose about \$190 million each year, as well as more than 120 direct jobs, when the Sonics left town. It contrasted vividly with studies produced by the basketball team's new owners showing that leaving wouldn't hurt Seattle at all.

Ironically, at the same time the team's owners were saying that Seattle wouldn't be hurt by the move, they produced a report showing how much revenue the team would generate in their new city if Oklahoma City were to provide tax breaks.

Hatamiya says that in the event of a canceled NBA season, fans won't necessarily spend their money on other entertainment, at least not as much. Portland sports fans, especially, won't have an option, with no major league football or hockey, he adds.

Hatamiya, Rotthoff and Humphreys do agree on one thing. Seattle NBA fans hold the answer to the question of the substitute effect, if someone could ask them what they're doing with the money they once spent on the Sonics.

So we asked.

Seattle real estate investor Brian Robinson is forming a group with the goal of luring another NBA team to Seattle. Robinson says before the Sonics left town he went to about 15 games a year. He and his wife and two children would get \$11 tickets, park for free on the street and get \$1 hot dogs. He figures the total was about \$80 a night.

Robinson doesn't think his family is spending most of the money it used to spend on Sonics game nights, especially during the recession. For Robinson, an NBA game was an irreplaceable event.

"I think sports kind of defies logic," he says. "The passion of sports pushes people to spend a little more and to go out on nights they wouldn't otherwise go out, especially if it's a good team."

Ditto, says Seattle filmmaker Adam Brown.

"I haven't done what those economists describe at all," says Brown, who produced a documentary called "Sonicsgate," about the loss of the home NBA team.

Brown says he would go to 15 to 20 games a year and spend about \$100 a night on food, parking, tickets and beer. He'd spend \$30 at a sports bar watching away games. He has not chosen to attend Seahawks NFL games or Mariners MLB games or WNBA Storm games instead.

If anything, Brown used his surplus cash producing "Sonicsgate."

"I'm just a basketball fan," Brown says, adding that Blazers fans might take solace in the fact that a canceled NBA season would give Greg Oden an extra year to rehab his knee.

Seattle resident B.J. Phillips attended about half the Sonics home games and he has found an alternative – the soccer-playing Seattle Sounders. He figures he spends almost exactly what he spent for Sonics games at Sounders matches.

Phillips, finance vice president of an Internet company who admits he's got extra cash, labels himself a sports fan more than a Sonics or an NBA fan.

"If a hockey team sprouted up tomorrow in the NHL, I'd be going to that, too, and I wouldn't be transferring my money away from somewhere else," Phillips says. "I'd be transferring it away from either my savings or my lunches every day. My sports budget would grow, not be redistributed."

Saving money

Sonics season-ticket holder Steven Pyeatt founded Save Our Sonics in an attempt to keep the team from moving. He says six out of 10 Sonics season-ticket holders lived outside Seattle, as does he. Economists, he points out, are measuring overall impact on a metro area. That doesn't tell the whole story.

"That money we spent in the city of Seattle we are spending somewhere else outside the city," he says.

Pyeatt says he took the money he spent on Sonics games and bought two motorcycles – one for his wife and one for himself. They ride into Canada and Eastern Oregon, but they don't spend their money in Seattle, he says.

Then there's Rafael Calonzo, who lives in the suburbs north of Seattle. He's the guy the economists are counting on. Calonzo took in 20 games a year before he had children, 10 games a year after. With the Sonics gone, he figures he takes the family to dinner more often, maybe to a few more movies as well.

"I'm sure I spent it somewhere," Calonzo says. "That money gets spent, just not down by the arena."

In contrast, consider diehard Blazers fan Colleen Cowan, who is not buying what the economists are selling.

"I would totally disagree you're going to spend it somewhere else," says the season-ticket holding Southeast Portland resident.

Cowan says when the Blazers play on Monday night, she and her husband have a routine: happy-hour drinks at Kells Irish Restaurant and Pub downtown, then the game with its \$100 tickets, sometimes dinner.

"We wouldn't go out on a Monday night otherwise," Cowan says.

Cowan and her husband recently had a child, and she's thinking college fund.

A few more movies if the Blazers season is canceled? Sure, Cowan says. Out to dinner more often? Probably.

But overall? "We're going to save it."