

NEWS AND NOTES:

New Chargers Stadium Likely to Cost More than \$725 Million

In March 2015, the Citizens Stadium Advisory Group announced its recommendation to build a replacement multi-purpose stadium at the site occupied by the existing Qualcomm Stadium.

This policy brief looks the cost of **20** NFL stadiums built since 1997. This analysis shows:

- **The average cost of these 20 NFL stadiums at the time they were built was \$618 million. The median cost was \$452 million.**
- **Adjusted for inflation and for the cost of construction in Southern California, the average cost of a modern NFL stadium in current dollars is \$898 million. The median cost is \$662 million.**
- **The cost of building an NFL stadium has been growing faster than inflation in the construction industry.**
- **The six most recent NFL stadiums opened or under construction/planning (Dallas, Santa Clara, Minneapolis, Atlanta, New York and Indianapolis) would cost on average \$1.5 BILLION dollars if constructed in Southern California and once adjusted for inflation.**
- **These costs do not account for operating expenses or opportunity costs, which one researcher estimated at several million dollars a year.**
- **Our best prediction is that building an NFL stadium in San Diego will cost at least \$725 million. In all likelihood the cost would exceed \$1 billion based upon the two most recent NFL stadiums under construction/final phases of planning: Atlanta (\$1.4 billion construction budget) and Minneapolis (\$1.1 billion).**

I. Estimating the Cost of a new Chargers Stadium

In prior research NUSIPR showed how the region's market was mid-sized when compared to the other regions that host NFL teams. We concluded that the public would bear about 2/3rds of the cost of a new stadium. That wasn't an endorsement of such a policy decision. Rather, it was our best prediction of what the Chargers would likely accept based upon the strong correlation between the public's share of stadium costs and the size of the market in which the NFL franchise operates. Monopoly power gives the NFL extraordinary bargaining power – especially in light of the possibilities that there will be one or more NFL stadiums opened in Los Angeles before 2020.

This analysis asks a closely related question – what is a stadium likely to cost? Such an estimate is preliminary as there is minimal public information as to the amenities and requirements that the Chargers are seeking. Nevertheless, other stadiums around the country give some guidance as to possible costs.

II. Methods and Sources

NUSIPR began by gathering data from two sources on the cost of the 20 most recently constructed NFL stadiums. The first is a document prepared by Convention Sports and Leisure (CS&L) in March 2012 for the Minnesota Vikings (<http://www.vikings.com/assets/docs/stadium/DES-recent-nfl-stadiums.pdf>). We then augmented those costs with additional information from news reports about the cost of the San Francisco 49ers's Levi Stadium, the new Minnesota Vikings stadium under construction, and the soon-to-break-ground stadium in Atlanta. As a second source of information on stadium costs we used Judith Grant Long's Public-Private Partnerships for Major League Sports Facilities. This analysis of stadium costs provides data for all sports facilities built up to 2010.

We then adjusted the costs to reflect increases in the cost of construction and significant regional differences between undertaking major construction projects in different metro regions. To do this we used Engineering News Record's Construction Cost Index and adjusted costs to 2014 dollars and to reflect any cost differences between the city in which the particular NFL stadium is located and the cost of construction in Southern California.

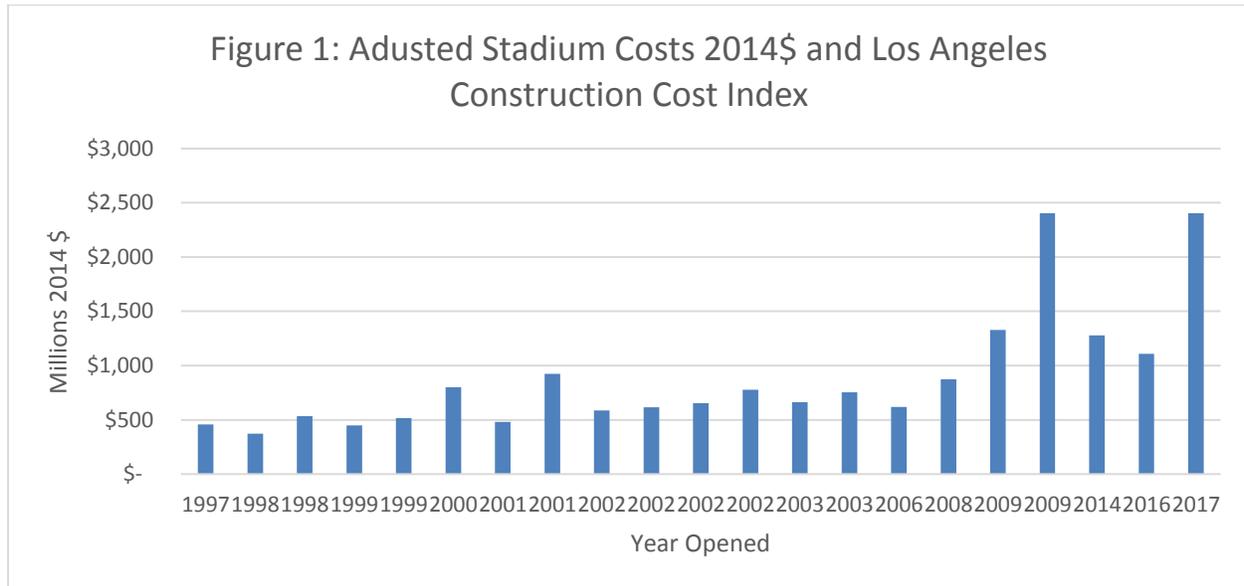
III. Findings

- A) Modern NFL stadiums cost more than three-quarters of a billion in today's dollars.

The average cost of the last 20 new NFL stadiums in 2014 Southern California dollars was nearly \$900 million (\$898 million). Readers should note that this is significantly skewed by the cost of four very expensive stadiums: San Francisco, Atlanta Dallas, and New York. Indeed, it is daunting to examine Dallas and Atlanta: multi-billion dollar stadiums built in areas with significantly lower construction cost index values. The inflation and regionally adjusted median cost of construction is a more "modest" \$662 million.

B) The cost has been increasing.

It is also the case that stadiums have been growing more expensive. Figure 1 plots on the horizontal axis the year each of the 20 stadiums opened while on the vertical axis we plot the inflation and regionally adjusted cost of the facility. Since 2009 no NFL stadium has costing less than one billion dollars.



Sports economists have suggested a number of reasons for this inflation. It has become harder for NFL teams to attract fans who have large TVs, dedicated viewing areas in their homes, and who have a multitude of viewing options available to them. Enticing these fans to attend the game and to purchase tickets that may well cost more than \$100 has proved challenging unless the stadium has a variety of enhancements and amenities.

In addition, NFL teams share revenue generated from the national TV contracts but do not have to share with the other owners the local revenue, such as luxury boxes sales, club seating packages, or local advertising. Profit-minded team owners have an incentive to maximize this revenue potential, especially in those instances in which the facility is largely being paid for by the public and their tenancy in the building is subsidized.

C) San Diego's stadium, at a minimum, would cost in excess of \$725 million. It could be as high as \$1.7 Billion by 2020.

Starting with the median value in 2014 dollars of the last 20 stadiums built, we then inflated that figure to account for the fact it will still be some time before a new stadium could open. Since 2010, the Construction Cost Index in Los Angeles has increased an average of 1.8%. Assuming a new stadium in San Diego were to open in 2020 the median-priced NFL stadium would cost at least \$724 million.

Building a stadium that would be considered "state of the art" is much more daunting. The 5 "newest stadiums" (Santa Clara, Dallas, New York, and the stadiums under construction in Atlanta and Minneapolis) would cost an average of \$1.7 BILLION if built in Southern California

in 2020. If we take the more recent five stadiums excluding Dallas and New York (Santa Clara, Atlanta, Minneapolis, Phoenix, and Indianapolis, then the average costs in 2020 dollars would be \$1.4 billion.

- D) Public Subsidies of operating and maintenance costs are often underappreciated in the financing plans.

One of the central findings by Judith Long is that often stadiums and sports arenas require substantial on-going public subsidies for maintenance and operations. In many cases, the revenue generated at the facilities through rent and concessions fails to exceed the funds required to maintain a structure exposed to the elements and used by hundreds of thousands of fans. Revenue generated at Qualcomm, for example, is not sufficient to pay for ongoing maintenance and operations. As a consequence the City is required to transfer general fund dollars into the stadium fund. The financing plan for the new stadium should take into account maintenance and operational costs and the projected revenues required.

III. CONCLUSIONS

Given recent history it is likely that building a new NFL-quality stadium in San Diego County sometime in the 2017-2018 time frame would cost at least \$725 million. If the goal is to build a facility “on-par” with the stadiums being constructed in Atlanta or Minneapolis it is difficult to envision it costing less than \$1 billion. Our previous analysis suggested that the public would need to pay approximately 2/3 of the cost of this facility. Recent public figures have argued that the public should pay for no more than 1/2 of the cost. In the next News and Notes we will explore options for generating between \$400 and \$950 million in public funds to help pay for a new NFL-quality stadium in Mission Valley.

APPENDIX

Team	Year Opened	Adjusted Costs (2014 \$ in Millions)
Tampa Bay Buccaneers	1998	333
Washington Redskins	1997	460
Cleveland Browns	1999	461
Pittsburgh Steelers	2001	483
Tennessee Titans	1999	490
New England Patriots	2002	552
Arizona Cardinals	2006	615
Baltimore Ravens	1998	618
Philadelphia Eagles	2003	644
Detroit Lions	2002	652
Seattle Seahawks	2002	673
Houston Texans	2002	737
Cincinnati Bengals	2000	799
Indianapolis Colts	2008	894
Denver Broncos	2001	994
Minnesota Vikings	Opening 2017	1108
San Francisco 49'ers	2014	1280
NY Giants + NY Jets	2009	1329
Atlanta Falcons	Opening 2018	2405
Dallas Cowboys	2009	2440

Adjusted costs reflect December 2014 Construction Cost Index figures for Los Angeles as reported in Engineering News Record and base costs reported by CS&L and Judith Grant Long.