

Testimony of Andrew Toy City  
Council Hearing June 20, 2000

Good afternoon Councilmen and Councilwomen. My name is Andrew Toy and I am here to testify in opposition to the proposal to finance and build a new baseball stadium at 11th to 13th and Vine Streets. I am a Board member of the Philadelphia Chinatown Development Corporation.

As a former City Commerce Department official and economist by training, I would like to focus on some of the cost-benefit issues that should be important in your decision making. For ultimately, even if we can raise all the millions needed to pay for the stadium at this site, does our investment here make sense? What kind of return on investment are we expecting if the stadium costs \$650 million, \$700 million or even \$800 million? And what are the opportunity costs of investing our funds here rather than on other critical needs such as schools, economic development, tax reform, housing or neighborhoods? These are questions the Administration needs to answer before spending such large sums on this "vision".

To begin to answer these questions, I would like to focus on important opportunity costs which have been overlooked in choosing the Vine Street site over other alternatives. The supposed benefits of a downtown stadium on Vine Street must be weighed against what is lost by the City by demolishing 4 blocks of a developing area.

First, the benefits. The Central Philadelphia Development Corporation commissioned report by Arthur Andersen in 1997 concludes that the City might gain up to \$3 Million a year in additional taxes at a downtown stadium versus South Philadelphia. Many assumptions go into that number though. For example, the Andersen report uses a high economic activity multiplier of 2.14. Just last June, C.H. Johnson, a consulting firm hired to make the case for a new Red Sox park, used a multiplier of 1.76, which was criticized as too high. But just this 18% difference in assumptions knocks down the yearly tax revenue amount by \$1/2 Million. If the City puts an extra \$300 Million into the 12th & Vine site it would take well over 100 years to recoup the investment, assuming the stadium lasts that long and that there is no time value to money.

Even assuming that the study used to support the stadium in in Center City is accurate, there are other costs that should be weighed in a good public policy decision. Beyond the crucial quality of life and Chinatown community and business impacts are some quantifiable costs regarding the site itself.

Our independent analysis totals the lost Real Estate Tax revenues from the stadium footprint to be almost \$300,000 (\$294,360) at today's taxes and assessments. If we add in the Wage, Business, U&O Taxes and Water billings, that number could easily double. If we also use a multiplier of economic activity, as the Andersen report does, we quickly reach well over \$1 Million per year of direct and indirect tax revenues attributable to the site today.

But this number is actually an understatement of opportunities lost because this area is on the rise. In the Western area of this site others will relate to you that buildings like the Edward's Shoe and Laramie buildings are in the process of being filled with ecommerce and artists loft space adding to the already vibrant Beaux Arts condominium. On the East and North, Asian residents and businesses are taking hold as the Philadelphia Chinatown Development Corporation has recently completed its first housing project and office North of Vine and plans another development to break ground this Fall.

So even though the total assessed market value of properties within the site is currently at a little over \$11 Million, this number will be rising significantly with these new developments. One example is a property with a Board of Revision of Tax value of over \$1/2 Million whose value today is believed to be 7 times that number.

Given the development pressures already evident, the Taxes generated just from within the site could easily double or triple in the next 10 years. The irony is, that after investing hundreds of millions of dollars in a stadium in the name of economic development, the net increase in revenues to the City per year could end up being nothing or even a net loss if this area continues going the way Old City did 15 years ago. I know, because I lived there then. Obviously, Old City didn't need a stadium to succeed. A look at the time it has taken to develop Penn's Landing tells us that 15 years is not a lot of time.

A stadium at 12th & Vine will not only have direct Tax consequences to the City. The other cost will be the loss of ecommerce jobs to the suburbs and the continued stunting of Chinatown, one of the City's few growing neighborhoods. If it hadn't been for the Vine Street Expressway and other government projects, Chinatown could easily be double its size today. A look at New York's Chinatown shows how growth can happen. In fact, New York City would have lost population in the last decade if not for strong immigration patterns. By Chinatown finally developing across Vine Street, there is great potential for City population and Tax growth in the next decade. On the other hand, if a stadium is built there, there will be a gaping hole 280+ days a year and a sea of parking lots surrounding the site instead of the 365 day economic and community development moving forward today.

One other development opportunity which may be negatively impacted by the rush to put the stadium at this terrible site is the ability of the City to obtain the Reading Viaduct under the best possible terms from the Reading Company. Obviously it is more difficult to negotiate under time constraints. This decision could cost the City millions here as well. The removal of this eyesore will open up the redevelopment of this whole sector of the City, just as the removal of the old Viaduct did along West Market Street.

Has the Mayor and his team investigated or revealed these and other opportunity costs to the public? Or is a stadium at 12th & Vine to be built at any cost, no matter how high? Or worse, will this become another hole in the ground, a monument to a monumental mistake?

Finally, if the opportunity costs are so high at this site, is the same true at other Center City sites? No. The City currently receives no Tax revenues from either Delaware & Spring Garden or Amtrak's 30th Street Yards. Both also have the advantage of already having many visitors accustomed to traveling by and through them.

While I am not advocating any other site specifically, this analysis shows that it makes poor economic and community development sense for the City to put the stadium at 12th & Vine Streets. As acquisition and construction costs and time estimates continue to rise, the picture becomes even clearer. Even setting aside many legitimate community issues, the 12th & Vine Street site is a terrible investment choice for the City's new stadium. |