

CHARLOTTE JOINS THE NFL

The National Football League awarded Charlotte, N.C. a franchise last week from among five candidates. However, it put off until Nov. 30 the selection of a second team. St. Louis and Baltimore are the leading candidates, with Jacksonville, Fla. and Memphis, Tenn., the two other bidders, clear underdogs. The two new teams will start playing in 1995.

The big prize did not come cheap as Charlotte's ownership group will pay a franchise fee of \$140 million, compared with the \$16 million Seattle and Tampa Bay paid when the league last expanded in the mid-1970s. The new franchise, to be known as the Carolina Panthers, also will be forced for the first three years to forgo half its share of national television income, which amounts to about \$50 million. In addition, the team will need at least \$70 million in operating funds to get up and running.

ECONOMIC IMPACT

The introduction of a professional sports franchise into a region generally has a positive impact on the local economy, even when other teams are already in place, as is the case in Charlotte, which also has a National Basketball Association franchise. The immediate or direct benefit is spending by spectators and businesses associated with football as well as the creation of new jobs. Revenue is derived mainly from visitors, out-of-park sales, and stadium receipts, including ticket sales, concessions, parking, and luxury suite fees. Out-of-stadium sales include retail sales and meals purchased before or after the game. The new football stadium will be located in downtown Charlotte around active retail and entertainment establishments, substantially increasing the likelihood that economic activity will be generated. However, much of this revenue represents a redistribution of disposable income within the local area.

On the other hand, new economic activity is centered on sales to opposing teams, out-of-town fans, and tourists. In this respect, Charlotte is in a good position to take advantage of professional football's popularity, as it is over 250 miles from the nearest NFL franchise and therefore likely to draw visitors from outside the area.

Some economists have questioned the value of professional sports franchises, arguing the economic benefits of having a team are illusory. That is, from a financial perspective, the incremental economic gain attributable to a sports franchise is not as great as the costs a city may incur to attract and retain the team. With Charlotte, however, the vast majority of the costs associated with

securing the team and building a stadium have been borne by the new team's owners. Consequently, the city of Charlotte's potential net gain in terms of increased economic activity and tax revenues is significant. On the other hand, the remaining four cities vying for an NFL franchise are responsible for providing a stadium that, for the successful bidder, undoubtedly will run into hundreds of millions of dollars.

The intangible benefits Charlotte will derive from having an NFL team could be substantial, although hard to quantify, and might even exceed the direct economic benefits. It could be argued that the city's attractiveness as a business location and place to live will be enhanced. In addition, professional football will give Charlotte a presence in the national print and broadcasting media that could spill over into other industries, such as tourism.

W. Carey Odom, City Treasurer of Charlotte, echoes the optimism of the city's business and political leadership regarding the new team's impact on the region's economy. "The Carolina Panthers will be a catalyst for economic growth in the area. Not only will it provide a boost to the downtown stadium area, we believe it will lead more companies to consider Charlotte in their national and international business relocation and formation decisions."

STADIUM FINANCES

Charlotte's planned 72,300-seat downtown facility will be privately funded through, among other things, sales of lifetime rights to buy season tickets and 102 luxury boxes. All the luxury boxes have been sold for the stadium, scheduled to be completed in 1996. Although the ownership group has sold over 49,000 rights to buy season tickets, it is not sold out, leaving the group short of its goal of raising \$105 million toward the stadium's total cost of \$160 million. It is anticipated a further \$60 million will come from the a large corporation in exchange for the naming of the stadium after it. In addition, the local government will chip in approximately \$60 million for the purchase of land and the building of access roads and related infrastructure.

CHARLOTTE'S ECONOMY

Charlotte's regional economy has experienced strong growth over the last decade and has emerged as one of the premier business centers in the South. An important factor in the NFL's decision to award Charlotte a franchise was the league's belief that the area from which the team will draw, including both North and South Caro-

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lina, will continue its robust population and economic growth. In the 1980s, Charlotte's population grew by 25% to 400,000, while the metropolitan area increased by 20% to 1.1 million.

Although the region has a strong manufacturing base, banking and financial services have been the driving force behind its recent economic surge. Two of the nation's top ten bank holding companies are headquartered in Charlotte, and the city is the nation's third-largest banking center after New York and San Francisco. Charlotte's successful bid can be attributed in part to the strong backing of its business community, particularly financial services firms.

Charlotte's service sector is complemented by strong distribution and manufacturing industries. Over 950 manufacturing firms operate in the city and county, including approximately 200 of the nation's 500 largest industrial companies.

The city's economy has shown relative strength during the country's tepid economic recovery, with an unemployment rate of 4.5%, well below

the national average. During the first quarter of 1993, business growth included 300 new or expanding firms, which created over 3,000 jobs. DRI/McGraw Hill projects that the city's employment growth (1.8%) for 1993 will exceed the national pace.

FINANCES

If the Carolina Panthers perform as well as the city of Charlotte has managed its finances, it will not be long before they are in the Super Bowl. Charlotte is one of only a handful of U.S. cities with a 'AAA' rating. The city has historically demonstrated exceptional financial management and operating results. Although conservative budgeting practices and strong economic growth have been key, over the past 18 months the city has restructured the delivery of services resulting in a permanent annual savings of \$2.7 million.

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