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Cities Reel From Hammer Blows of Sports, Events Going Dark.

- **Cutting big-ticket events ripples through local economies**
- **Spokane's arenas to lose $1.5 million from loss of tournaments**

March was looking like a great month for Spokane: The eastern Washington city was going to host games in the NCAA's March Madness basketball tournament as well as the Pacific Northwest Qualifier, which brings thousands of volleyball players and their families.

But both have been canceled because of the coronavirus pandemic, at a cost of more than $1.5 million in revenue for the Spokane Public Facilities District, which runs the venues for the events.

"This is a major hit to our economy," said Stephanie Curran, chief executive officer of the facilities district.

City and state official across the U.S. are confronting the sweeping economic toll wrought by the virus that has emptied stadiums, arenas, hotels, restaurants and other businesses that just a few weeks ago were bustling.

Concerts and tours have been canceled along with New York's Broadway theaters. Major League Baseball, the National Basketball Association and the National Hockey League last week suspended operations and the NCAA canceled all spring championship events.

Sports and Taxes

Major sporting events can provide large infusions of tax revenue for host cities. The city of Omaha, Nebraska, has seen its three biggest events of the year — the NCAA basketball tournament, College World Series baseball tournament and Berkshire Hathaway's annual meeting — canceled within the past week.

Those events have a combined economic impact of roughly $100 million for the city, an estimated $5 million to $10 million of which is city tax revenue, said Stephen Curtiss, the city's finance director.

"It's not the ideal scenario for us as a city," he said. Event-related tax revenues account for 1%-1.5% of the city's general fund, a loss he said would pale in comparison to the hotels, restaurants and other businesses that have closed or limited operations after federal officials urged people to avoid gatherings of 10 or more people.

Some $9 billion in tax-free municipal bonds to have been issued to finance sports stadiums and arenas that could remain empty for months due to the virus, nearly half in New York and Florida, according to Bloomberg Intelligence.

Florida's Miami-Dade County, for example, services the debt that financed the Miami Marlins' baseball stadium in part with hotel taxes, and the area is seeing a 9% decline in bookings, said Eric

Kazatsky, senior municipals strategist at Bloomberg Intelligence. If that revenue stream dries up, the county would need to tap other revenue streams to service that stadium debt.

“When you hit an unexpected rough patch in the economy, you could find yourself in a situation where the municipality is on the hook,” he said.

In New York City, budget officials estimate some $3.2 billion in tax revenue will be lost over the next six months as the virus hollows out entertainment, tourism, hotel and other key sectors of its economy. Hotels are projected to be at 20% occupancy through June while restaurant sales are forecast to be down by 80%. Some $1.4 billion in spending cuts are needed to preserve services vital to the city’s most vulnerable, according to the city comptroller’s office.

Social distancing measures will push thousands of small businesses in Maryland into bankruptcy without additional cash from the state or federal government to get them through the near-term shutdown of normal life caused by the virus, said Peter Franchot, Maryland’s comptroller.

The economic turmoil will eventually become a threat to the state’s tax revenues. Franchot said an accurate estimate isn’t possible until the scope of the outbreak is better understood, but his staff has told him state tax revenues could be reduced by 15% to 20%. Such a dramatic decline could push state officials to make emergency spending cuts, which is what unfolded in the wake of the 2009 financial crisis, he said.

“I hope it doesn’t happen, but it could based on a lengthy self-quarantine lockdown of the state’s economy,” Franchot said.

Big-ticket events have vast effects on the the regional economies of the cities that host them, said Anirban Basu, an economist and chief executive officer at Sage Policy Group Inc. in Baltimore.

“The supply chain around these events is extraordinarily extensive and it’s difficult to know when these supply chains actually end because they’re so extensive,” he said.

Cities that are heavily dependent on hotel rooms, ticket taxes, casinos and other event-based sources stand to see the greatest pressure in the near term, which could lead to service reductions as officials adjust to maintain balanced budgets.

“All of that revenue is about to tumble, so to try to cobble together savings, you’re going to see services curtailed,” Basu said.

Spokane has also canceled its St. Patrick’s Day parade, a middle school basketball tournament that regularly fills the Spokane Convention Center and the girls’ volleyball tournament that spreads over two weekends and is the area’s highest grossing event, Brian Coddington, communications director for the city of 200,000.

The city is trying to assess the impact on local revenue, adjusting hiring plans and trying to figure out options.

“The information is coming quickly and there are a lot of variables we don’t know, like how long the impact might last,” Coddington said.

To soften the blow, Mayor Nadine Woodward, who took office Jan. 1, and other Spokane Valley officials are promoting an #OrderUpSpokane program to encourage people to buy takeout or pickup from local restaurants.

“All the businesses are really responding and trying to do the best they can to adjust to this,” Coddington said. “We’re asking people to be really creative about how they are making adjustments in their daily lives.”

No Choices

In normal times, there’s little financial loss to a community from the cancellation of an event, said Andrew Zimbalist, an economics professor at Smith College in Northampton, Massachusetts. For people who live near a stadium or an arena, it’s often a choice between paying for the night out at the event or spending the money at a local restaurant or different location.

“Now they just can’t go to the local theater or the local concert because those places are shut down too,” Zimbalist said. “There’s less money the households are spending in the local economy. If you don’t spend money at the ball park, there’s no place to spend it.”

Greensboro, North Carolina, hotel entrepreneur Dennis Quaintance said the abrupt nature of the cancellations added to the sting for his companies.

First the Atlantic Coast Conference basketball tournament was called off, and then the NCAA March Madness games.

“We went from about 100% occupancy to about 10% in one day,” Quaintance, chief executive officer of the employee-owned Quaintance-Weaver Restaurants & Hotels, said in an interview.

“If none of that had been on the books, we would have had different business that didn’t go away,” he said.

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