

# 76 PLACE COULD COST PHILADELPHIA \$908M IN LOST TAX REVENUE, DESTABILIZING EXISTING JOBS, BUSINESSES, AND TAX BASE

Over the 5 year construction period and 30 years of operations, 76 Place could significantly disrupt Philadelphia’s revenue sources, and cost the city 566 businesses, nearly 16,000 jobs, and a cumulative loss of nearly \$1 billion in lost tax revenue for the City, plus over \$100 million more for the State.

## Filling a gap in understanding the implications of 76 Place

The Community and Economic Impact Studies commissioned by PIDC do not count the economic costs of building an arena on East Market Street for small and mid-sized businesses, workers, and the taxes they generate. The Community Impact Study describes how individual businesses could suffer and close, but it does not add up the potential losses. This brief report and the research on which it is based fills a crucial gap in understanding the implications of building an arena on Market East defined as 19107. It creates scenarios to show the potential losses in businesses, employment and taxes in that area if the proposed arena is built due to the disruptions to existing businesses.

**The broader area around the proposed arena in the 19107 zip code, which includes the commercial core of Chinatown, Washington Square West, Midtown Village, is home to over 2,200 businesses, employing over 63,000 workers** (Source: 2021 County Business Patterns, US Census Bureau).

All these businesses generate tax revenue for the state and the city.

## Nearby businesses generate \$296M in City and State tax revenue annually

Estimated Tax Revenue Generated By 19107 Businesses	
State Sales Tax <sup>1</sup>	\$37,000,000
City Sales Tax <sup>2</sup>	\$8,000,000
City Business Income and Receipts Tax <sup>3</sup>	\$104,000,000
City Wage Tax <sup>4</sup>	\$147,000,000
<b>Total City Taxes Generated</b>	<b>\$259,000,000</b>
<b>Total State Sales Tax Generated</b>	<b>\$37,000,000</b>
<b>Total Tax Revenue Generated (City + State)</b>	<b>\$296,000,000</b>

*By disrupting business operations during construction and after opening, 76 Place would have significant negative effects on the activity and even survival of nearby businesses, with major consequences for their employees and for city and state finances.*

## Dr. Arthur Acolin

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## Arenas consistently fail to fulfill their developers' financial promises

The 76ers claim that the arena will generate 1,000 new permanent jobs, \$1 billion in taxes for the city and school district and \$472 million for the state over the 30-year lease term. They have not provided any detailed information about how they came up with these numbers.

Independent economists agree that arenas and stadiums consistently do not fulfill their developers' financial promises, and that they do not add to city and state tax base when their true costs are counted.

They also agree that in some contexts - particularly downtowns and neighborhoods with small businesses - arenas and stadiums have had negative impacts on some existing businesses (Crompton 1995; Siegfried and Zimbalist 2006; Stitzel and Rogers 2019; Bradbury et al. 2023).

If the proposed arena was to be developed and have substitution effects and a negative impact aligned with other such developments, businesses, employment and taxes in 19107 could be affected substantially, with a range of estimated impact on existing businesses depending on the severity of the negative effects during construction and over the 30 years of operation of the arena.

### Total Potential Impact of 76 Place on Existing Tax Base in 19107 (construction 5 years + operation 30 years)

Area of Impact	Impact Low (-5% during construction and -3% during operation, with tax impact cumulative)	Impact Median (-7.5% during construction and -5% during operation, with tax impact cumulative)	Impact High (-15% during construction and -10% during operation, with tax impact cumulative)
Businesses	-170	-283	-566
Employment	-4,734	-7,890	-15,780
Payroll	-\$3,050,680,500	-\$5,592,914,250	-\$11,185,828,500
State Sales Tax	-\$36,735,490	-\$68,879,044	-\$137,758,088
City Sales Tax	-\$7,880,065	-\$14,775,121	-\$29,550,243
City Business Income and Receipts Tax (BIRT) ( <i>Gross Receipt Portion Only</i> )	-\$90,792,362	-\$181,584,725	-\$363,169,450
City Wage Tax	-\$129,053,954	-\$258,107,908	-\$516,215,816
<b>Total Lost City Taxes</b>	<b>\$227,726,381</b>	<b>\$454,467,754</b>	<b>\$908,935,509</b>
<b>Total Lost State Sales Tax</b>	<b>\$36,735,490</b>	<b>\$68,879,044</b>	<b>\$137,758,088</b>
<b>Total Lost Tax Revenue (City + State)</b>	<b>\$264,461,871</b>	<b>\$523,346,798</b>	<b>\$1,046,693,597</b>

## 76 Place Could Cost City and State Over \$1 Billion in Lost Tax Revenue

Unlike the PIDC economic study, this analysis uses a wide range of estimates, reflecting the uncertainty around the eventual impact of the arena on existing businesses, which makes it important to consider a range of possible futures. **Over the 5 year construction period and 30 years of operations, 76 Place could significantly disrupt Philadelphia's revenue sources, and cost the city 566 businesses, nearly 16,000 jobs, and a cumulative loss of nearly \$1 billion in lost tax revenue for the City, plus over \$100 million more for the State.** If a more moderate impact were to take place, the negative impact of the arena over the 5 year construction period and the following 30 years of operations would still be considerable with a **reduction of more than 280**

**businesses, almost 8,000 jobs and a cumulative loss of over \$454 million in tax revenue for the City.** A small impact during construction and operation would still result in a **reduction of 170 businesses, 4,700 jobs and over a quarter billion dollars in lost tax revenue for the City.** Ultimately, the arena's negative impacts on surrounding businesses, added to negative impacts on employment and tax revenue associated with the existing arena, could easily represent similar or greater losses than what the 76ers end up paying to the city and state.

These estimates of negative impacts are based on the assumptions that we detail above. **To date, months after having issued press releases touting the aggregate numbers, the 76ers have provided nowhere near this level of details nor any of the analysis behind their figures.** Such details are needed to assess the figures they tout, which on the face of it are hardly believable. The lack of transparency about them only accentuates doubts on their reliability.

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## REFERENCES

- Bradbury, J. C., Coates, D., & Humphreys, B. R. (2023). The impact of professional sports franchises and venues on local economies: A comprehensive survey. *Journal of Economic Surveys*, 37(4), 1389-1431.
- Crompton, J. L. (1995). Economic impact analysis of sports facilities and events: Eleven sources of misapplication. *Journal of sport management*, 9(1), 14-35.
- Siegfried, J., & Zimbalist, A. (2006). The economic impact of sports facilities, teams and mega-events. *Australian Economic Review*, 39(4), 420-427.
- Stitzel, B., & Rogers, C. L. (2019). NBA sweet spots: Distance-based impacts on establishment-level sales. *Growth and Change*, 50(1), 335-351

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## FOOTNOTES

- <sup>1</sup> Source: PA Department of Revenue, annualized based on the first 3 quarters of the year
- <sup>2</sup> Source: PA Department of Revenue, annualized based on the first 3 quarters of the year
- <sup>3</sup> Source: based on 2022 Data Axle estimated gross sales and 1.415 mills BIRT rate on gross receipts
- <sup>4</sup> Source: based on estimated wages from 2021 County Business Patterns, US Census Bureau and city tax rate of 3.75% for residents and 3.44% for non-residents assuming 60% of workers are residents and 40% non-resident