POLICY BRIEF

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Cincinnati Chagrin

The people of Cincinnati are still reeling from the three game-sweep their beloved Reds suffered at the hands of the Pittsburgh Pirates to open their 2003 season. While losing three games in a row is bad enough, how crushing it must have been to see the new, expensive and much ballyhooed Great American Ballpark inaugurated in such an ignominious fashion.

Sadly, Pittsburgh’s sibling city is all too familiar with distressing outcomes. Still, the direction of Cincinnati’s economic development efforts must be giving its citizens heartburn. The way efforts to "grow Cincinnati" have gone in the past few years are particularly instructive since they are so strikingly similar to Pittsburgh’s.

The main features of the Queen City's revitalization included two new riverfront stadiums and a riverfront park. These projects were funded with a general sales tax increase in Hamilton County approved by a voter referendum. During the campaign for the tax increase, voters were told that the two stadiums would cost a total of $544 million and the tax would be in place for no more than twenty years. Due to cost overruns, the final tab rose to an astonishing $970 million, and the sales tax will remain in place for an additional sixteen years past its original expiration date.

Voter frustration with the generous lease terms of the Bengals' stadium cost one county commissioner his position. And the continuing dismal performance of the football team has moved his successor to request financial help from the league and the team in order to "avoid jeopardizing essential county services due to stadium deficits". The new commissioner has even threatened to sue the league and the team if help is not forthcoming.

Now there is a major effort to expand the City's convention center from 161,000 square feet of exhibit space to 190,000. The last expansion, which took place in 1987, had a cost overrun of $9 million. Hotel taxes have already been increased and the construction is expected to begin next year and end in 2006. The reason for the expansion? According to the Greater Cincinnati Convention and Visitors Bureau, "to sell Cincinnati as new and improved to a greater field of prospects and leverage the investment in the riverfront and downtown". Sounds very familiar.

Unfortunately, both cities have been applying the wrong cures for the same disease-- both are plagued by high taxes. As we discussed in a previous *Policy Brief* (Volume 2, Number 60), city and school district taxes in these two cities are very burdensome. In Pittsburgh, city and school taxes in 2002 represented 8.2 percent of average income and 46 percent of all state and local taxes paid. In Cincinnati, city and school taxes were 8.6 percent of average income and represent 48 percent of all state and local taxes. These numbers ranked the two cities among the heaviest tax cities in a "peer group" of fifteen cities including: Cleveland, Atlanta, Denver, Kansas City, Miami, Phoenix, Minneapolis, Seattle, Tampa, Milwaukee, St. Louis, San Diego and Portland.

Besides their similarities in having very high taxes and pursuing an economic development strategy driven by new stadiums, the two cities also share one other important characteristic; each lost substantial amounts of population over the last twenty years. From 1980 to 2000, Cincinnati's population declined 14 percent and in Pittsburgh population fell 21 percent. These losses will not be reversed by the "build it and they will come" strategy. A meaningful turnaround must await a recognition that high taxes and poor public services, including education, send residents for the exits. Sadly, the political climate within the two cities does not bode well for such an epiphany.

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