

Sports and Real Estate Development As Tools for Changing Patterns of Regional Economic  
Activity: Managing the Effects of Teams and Venues on Local Communities

By

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## Abstract

While the ways in which fans interact and consume sports has evolved in response to new and broadcast media, the most profound change for cities from sports is its linkage to real estate development. This emerging dimension to the ability of sports to redistribute regional economic activity creates critical public policy, business, and urban planning outcomes and potential. This dissertation identifies the ways in which the sports business has changed and illustrates the ways in which these effects can be channeled to benefit cities. For desired outcomes to occur, however, management and administrative systems have to be created that permit cities to realize the possible advantages. It is also possible that the ways in which sports projects are explained and presented to voters also needs to be changed. These understandings are vital because the positive outcomes for cities from sports and real estate development cannot occur without new decision-making presentations and management systems. This dissertation contributes to a greater understanding of these new requirements and the relationship between sports and real estate development (and its effects on cities) through three separate studies centered on the issues of decision-making, urban planning, and economic and neighborhood development. The research is fashioned to examine processes, designs, and approaches that increase the probability of gains for both teams and the public sector in their development partnerships. The research efforts are interconnected in that they contribute to and expand upon an innovative, developing thread of scholarship in the spatial effects of sports for local economies. Each study covers an important segment of the sports and urban development process that frames this new approach to sport management. The studies focus on (a) voter preferences and reactions to public subsidies for sports facility construction, (b) planned and unforeseen outcomes of a master planned neighborhood anchored by a new ballpark, and (c) the formation of the needed organizational structures to ensure outcomes from a linkage of sports to real estate development can be facilitated to produce desired local effects.

## Chapter 1 – Towards a New Framework for Managing Sport

### Introduction

The business of sports management has undergone several important changes across the past 20 years (Chapin, 2004; Newman, 2006; Winfree and Rosentraub, 2012). While media and Internet-based products and delivery systems are producing far more income for teams and leagues than ever before, these vital revenue streams do not represent a structural change in the sports business. Fans listened to the first recreation of games in 1921; earlier telegraph operators transmitted game details to eager fans who sometimes listened to descriptions provided by locally-based announcers who recreated descriptions of the game (Wenner, 1989). Televised games and the use of the Internet to distribute games and other materials to fans is a new application of the concept of transmission and dissemination of game and team news (Turner, 1999; Noll, 2007). In a similar vein luxury seating, and the provision of different in-game amenities, is also a modern application of the practice of offering to fans enhanced views of the action on the field and more comfortable settings in which to see the competition that takes place (Rosner and Shropshire, 2004). As a result, realizing that Romans also had luxury seating (Conti, 2003), the provision of more comfortable settings for fans is not a novel twist on the sports business (Sam and Hughson, 2013). Team owners have always strived to provide a better venue for a team's fans, and that was the application of marketing principles to sports. More amenities allow teams to segment their market base and offer to different fans customized experiences at varying price points (Zimbalist, 1992; Keri, 2006).

The profound change in and for sports management and the business of sports has been the focus on mixed-use real estate development anchored by and to sports venues. The extent to which this change has added a new dimension to the sports business is underscored by the (1) recent decision of the Atlanta Braves to relocate to suburban Cobb County where the team will be able to build a new ballpark and develop 65 acres adjacent to the venue; (2) The Detroit Red Wings' commitment to the building of at least \$200 million of new or renovated mixed-use properties adjacent to a new arena; (3) the building a new arena for the Edmonton Oilers anchored by millions of dollars of new downtown real estate projects; (4) the Green Bay Packers and Calgary Flames' interest in large-scale real estate projects adjacent to a historic (and renovated) football stadium and a new proposed arena; and (5) plans announced by Dan Gilbert for hundreds of millions of dollars of new real estate development adjacent to the Quicken Loans Arena in Cleveland.

These recent activities are in addition to substantial projects already completed and anchored by adjacent and adjoining real estate such as PETCO Park and the Ballpark District in San Diego, the Staples Center and L.A. LIVE in Los Angeles, the Verizon Center in Washington, DC, and Nationwide Arena and the Arena District in Columbus (Ohio). Billions of dollars of real estate development have been built surrounding numerous sports venues in Denver and Indianapolis and there are plans for substantial real estate activity near the proposed arena in downtown Seattle. The largest real estate development project anchored by a sports venue may well be what is projected and planned for the land adjacent to and across from Citi Field in Queens, New York. That development represents approximately \$3 billion dollars of private investment within an outer borough that historically has been overlooked by developers (Erie, Kogan, and MacKenzie, 2010).

This new dimension to sports management and the business of sports raises numerous public policy, business, and urban planning issues. These questions or issues are posed or raised because in no instances can any of these projects proceed without substantial cooperation and support from the public sector. At a minimum, even in the absence of an investment by the public sector in the real estate projects or the venue used by a team, the development of substantial tracts of land near or adjacent to a venue requires zoning approvals and infrastructure changes. Each of these actions requires support and/or approval from the public sector. In some instances, when large-scale activities accompanied by substantial private sector investments take place, the public sector is asked to establish new politically defined urban districts (some with substantial political authority, others limited to issues associated with physical development) or be willing to provide to a single investor (usually the team owner or a subsidiary of the owner's businesses) master developer status. Politically defined urban districts routinely play a key role in the financing of a facility. Master developer status provides an individual investor or company with control over what is to be built within a designated area even though a city or county must approve *the broad* dimensions of what is to be built. In essence, within agreed to guidelines, the master developer is free to build projects that will be sustained by market conditions. In addition the master developer is assured that no other investor can build a project that conflicts with the plans agreed to by the master developer and the city. The public policy issues or questions become even more pertinent when a city, county, a regional group of cities or counties, or a state government is asked to invest tax revenues in the building of the needed arena, ballpark, and stadium or forego tax revenues as a result of abatements, tax expenditures, or the creation of tax increment districts (Long, 2012).



This dissertation is organized under a paradigm that argued for cities there are two main channels of growth. Growth occurs in cities either through substantial increases in population (which attracts private capital to meet increased demands for housing, services, etc. – a demand push model), or by innovation. Innovation attracts capital seeking to take advantage of the new products or processes created by these new ideas. This could be characterized as a supply side focus to creating economic development.

The focus on the role of innovation in the creation of wealth begins with the work of Alfred Marshall (1890) in the late 19<sup>th</sup> century encapsulated by his concept of “ideas in the air.” By “ideas in the air” Marshall meant that concentrations of human capital lead to the generation of new products and process as people literally “bounced ideas” off the knowledge of each other. His work was followed by Joseph Schumpeter’s (1942) focus on wealth linked to creative destruction. This idea was posited in the late 1930s and early 1940s as he saw changes in the distribution of wealth linked to the formulation of new ideas, products, and processes that essentially made older items obsolete. Creative destruction in its ultimate form would lead to a change in the economic hierarchy of cities.

Both scholars argued that well trained labor were essential, if not responsible, for the creation of new wealth. Marshall and Schumpeter both argued that it was the daily and often times accidental interactions amongst the aforementioned highly trained individuals that were critical to innovation and the creation of wealth.

Cities play an important role in growth creation because their intimate environments foster these interactions. Jane Jacobs (1961) first argued that cities were the home for complex economic and social processes and organizations, and that cities should be designed in a manner that fostered these processes. Jacobs believed that cities had a need for both areas of decline

(low rent) at the same time other neighborhoods that would attract successful businesses and residential areas for Schumpeter's creative destroyers. The lower cost areas would then be an attractive place for start-up business and entrepreneurs to pioneer their revolutionary concepts at an affordable price (low factor input).

Jacobs could not have foreseen the impact that declining transportation and communication costs would have on the locational decisions of both business and people once success was achieved. Michael Porter's (1985) work on the importance of industry clusters for economic growth within cities highlights the need for the attraction and retention of human capital just as Jacobs' did. He, however, was not concerned if that cluster was in one city or spread across a metropolitan area. If that cluster, however, was located in suburban or exurban cities – a function of declining factor input costs – then in effect the fiscal returns Jacobs saw from life from death would not benefit a central city.

Richard Florida (2005) capitalized on these ideas, by focusing cities' attention on the importance of culture and amenity packages that were attractive to what he called the creative class. The challenge for cities in an era in which transportation and communication costs no longer dictate locational decisions is where can they prudently place their investments to impact the economic geography of their regions. Previously city leaders were led to believe that their investments in stand-alone sports facilities would provide the elixir to attract residents back to their declining central cities. Rosentraub and others dispelled this notion in the late 1990s. A 1996 Brookings Conference in Washington D.C. focused on sports and economic effects engendered a conversation about how cities and teams could do better by leveraging these investments for real economic development. Instead of simply capitulating to the cartel environment that is professional sports, heeding advice of academics city leaders began to

believe it was to play “hardball” with team owners. Following the lessons learned from development in San Diego and Los Angeles around sports facilities for the Padres, Lakers/Kings/Clippers, Rosentraub (2010) posited that cities could enter into public/private partnerships with sports franchises that could accomplish goals that satisfied both parties. Instead of public investments simply being used to construct sports venues, cities could realize significant levels of private investment to neglected communities by influencing the placement of new facilities and requiring that in exchange for public investments new levels of ancillary real estate development should be contractually required.

#### Why Sports and Real Estate?

Before exploring the range of new public policy issues raised by the change in the sports business, and the need for research that addresses the three specific areas that are the focus of this dissertation, there is value in exploring exactly why real estate development has become linked to sports. Across the last several decades the principals of leading real estate firms in the United States have acquired sports properties (teams) that were then located in venues adjacent to real estate that could be developed to meet emerging market demand. For example, Forest City Enterprises acquired the New Jersey Nets. The company then built a new arena for the team in Brooklyn that will be surrounded by a large real estate development project. Dan Gilbert’s large conglomerate acquired the Cleveland Cavaliers and an arena that are now lynchpins of a large real estate development plan in Cleveland. Sterling Equities has also positioned the New York Mets and Citi Field to be at the center of a large-scale development in Queens. AEG Worldwide used Staples Center and the Los Angeles Kings and Lakers to anchor its flagship development LA LIVE (Rich, 2000; Carter, 2010).

How did real estate development become linked to sports?

The confluence of real estate development and sport is not a surprising outcome given the prominent role that sport has always played in society and its ability to attract large crowds to numerous games. In the case of an arena, a large number of entertainment shows are also hosted. Baseball teams can regularly attract more than 3 million visits to their games. Numerous arenas attract more than 1 million visits each year. This concentration of activity elevates the value and attractiveness of adjacent real estate. No other activity attracts as many distinctive visits each year as does sports making teams valuable assets for real estate development activities. The limited number of franchises in each market makes it possible to build a development strategy around a *unique asset*. The power to transform land use and the built environment exists with the understanding that millions of visits each year will be guaranteed at a given location (Harrigan, 1998; Warren, 1994). What can and has been done to capitalize on this dynamic is what has altered the sports business.

Sports facilities built in the late 1970s, 80s, and early 90s were routinely designed to enhance in-facility experiences but routinely ignored the potential for harnessing associated economic activity that could take place on adjacent real estate. Facilities built during this time period were constructed with substantial public investments. The failure to elevate property values and capitalize on the economic activity taking place within the venue generated substantial levels of discontent with the decision to support a team's effort to secure a new venue. As a result, all of the benefits from the building of venues accrued to team owners and others linked to the sports industry. There was little if any financial return to the public sector partners. The situation was made worse when team owners were allowed to retain most if not all of the revenue streams that were created in these new state-of-the-art facilities (Rosentraub, 1997;

Zimbalist and Long, 2006). As revenue sharing among franchises and with labor has become standard (with increasing prominence in discussion) in the major sports leagues, team owners acting as profit maximizers, are in no doubt searching for ways to create revenue streams leveraged from the team as an asset but produce what are considered non-sport related revenues. Profits from related-real estate development are not part of any sports leagues revenue sharing agreements (Zimblist, 2006; Rosentraub and Swindell, 2009).

The building of Oriole Park at Camden Yards for the Baltimore Orioles in the early 1990's, and its integration in the plan to revitalize Baltimore's Harborplace, is often credited with spurring the return of stadia to downtown areas, and fostered a greater appreciation for their ability revitalize, create, and sustain downtown neighborhoods (Rowe and Stevenson, 1994; Chapin, 2004). The combination of sports, entertainment, and culture is a three-pronged approach that has been used by many cities in efforts to rebuild and revitalize their downtown areas and project a new image for a city. Empirical assessments of the economic effects of sports and entertainment venues has clearly established that these amenities alone or even together do little, if anything to change or improve a host city's regional economy. The spending that takes place at these venues would occur within the region with or without the presence of the sports facility. In the absence of the facility that consumer would simply spend his or her money elsewhere within the region. Even if the region is a major tourist attraction, it is understood that little or no new regional economic development will occur. What sports facilities *do* have the ability to impact is where within a region that spending will occur and if that economic activity is linked to real estate development, meaningful economic changes can occur for the host city (including enhanced tax revenues). The substantial neighborhood level changes that can and have occurred due to the presence of a master planned development anchored to sports facility

are illustrated in the transformation of previously underdeveloped or blighted land within the downtown areas of San Diego and Los Angeles, California (Mills and Hamilton, 1997; Wojan, Lambert, and McGranahan, 2007).

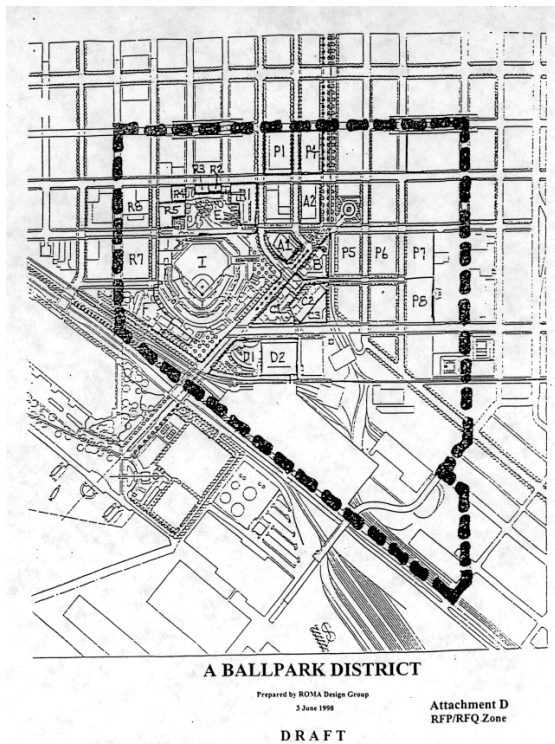
### The Accidental Marriage and A Master Strategy

The City of San Diego and its civic leaders were facing the decline and deterioration in the East Village of downtown San Diego during the 1990s. The East Village had an unrealized potential that was not being tapped for redevelopment by the private sector even though it was near the coast, a renovated entertainment center (the Gaslamp District), and the substantial public sector investments in a convention center. The underdeveloped neighborhood with some blighted parcels was presenting an undesirable image of the city to the many visitors at its convention center. In addition city leadership was witnessing the growth of suburban cities surrounding San Diego and new developments further and further from the downtown area but inside the city. In brief, the city and region was beginning to sprawl in a manner that it made it appear to be headed to become a smaller version of Los Angeles (Lang & Simmons, 2001).

The San Diego Padres were created as an expansion franchise in 1969 and played their home games in what is now known as Qualcomm Stadium. That venue was built for the San Diego Chargers and their lease gave them control of game day revenues for all professional sports games played at the facility. This lease arrangement reduced the income potential and revenue streams available to the Padres. John Moores purchased the Padres in 1994 and immediately recognized that this model was neither sustainable nor advantageous for his new ball club. He began a quest to build a baseball-specific venue for the Padres. Moores' was looking for an investment from the public sector to help build his new stadium which would

secure San Diego as the long term home of the Padres. The city, in addition to their desire to lock the Padres in long term, had aspirations of adding 1,000 hotel rooms to downtown to support convention center business and secure new investment in real estate downtown. These needs created the possibility of forming a public/private partnership between the City and the team. The City of San Diego in return for its investment and contribution to the building of PETCO Park, received a guarantee from John Moore's that in addition to the team's contribution of approximately \$187 million to construct the ballpark, he would cause to be built almost \$500 million in ancillary real estate development in the neighborhood surrounding the ballpark (Rosentraub, 2010).

Figure 1. RFP Zone of the Ballpark District, Memorandum of Understanding; City of San Diego



Source: <http://www.sandiego.gov/petcopark/mou/attachd.shtml>

In order to ensure that the city's goals for the type of development they wished to occur in the neighborhood were met, the city entered into a master developer agreement with Mr. Moores to develop the Ballpark District. The agreement outlined the overall mix of development that Mr. Moores' company, JMI Investments, could build. These details and restrictions went beyond the normal zoning restrictions often placed on land uses. What was unique in this agreement was that San Diego required that the development be done in a manner that enhanced the visual and aesthetic appeal of the new neighborhood. An integral piece of the redevelopment strategy used in San Diego was the role that local governmental units played in assembling the necessary land for both the ballpark and the planned surrounding district. The policy decision made by the city to actively pursue and assemble large swaths of land with the intention of delivering those parcels to a private developer in order to accomplish their goals of neighborhood revitalization is a significant market intervention. Other prospective developers looking to invest in development around a sports facility are in essence excluded. By selecting a master developer the government created a situation where any development that occurs will flow through the business/developer that was selected.

Local and state governments have heeded the advice of academics regarding the lack of return from past dealings with major league franchises. Partnerships were established with franchises that often put a local governmental agency into a situation where they were providing direct and annual required operating subsidies to franchises as part of the leases for new venues without guarantees for related real estate development. The partnership between the public sector and John Moores was different in that it required a substantial level of new real estate development (guaranteed by John Moores).



As previously mentioned the San Diego Chargers retained the right to stadium revenues as part of their original lease deal with the city. A new lease in 1995 included renovations to improve Qualcomm Stadium that was paid for by the public sector. The Chargers also secured two other key concessions from the city. *First*, the city guaranteed the sale of 60,000 non-luxury seats to every home game for at least 10 years. If those seats went empty the city purchased the tickets and transferred funds to the team (Rosentraub, 2010). Qualcomm Stadium seats approximately 71,000 fans and also had 7,800 club seats and 113 suites. It isn't difficult to make the logical conclusion that the Chargers were able to operate under great levels of financial certainty in their renovated facility. This guarantee was then coupled with the city's second concession to the team -- a clause that triggered their ability to renegotiate their lease team player costs exceed 75 percent of a designated set of revenues -- called the "economic hardship" clause. With the NFL experiencing tremendous growth in television revenues, and the players' union justifiably demanding larger portions of revenues from league ownership it was clear player salaries were going to increase greater than in-facility revenues. In a surprise to few, the Chargers began discussing the "economic hardship" clause almost as soon as the renovations were complete suggesting to voters that the team would consider relocation despite the extraordinary investments and guarantees that had already been offered. There was an understandable distrust of teams and their owners (Erie, Kogan, and Mackenzie, 2010; Erie, Kogan, and Mackenzie, 2011).

Though it may have been difficult for San Diego's leadership to foresee the tremendous growth in television revenues individual franchises would receive when the National Football League renegotiated its deals with its media partners, that mistake would not be committed again in San Diego. The city learned an important lesson in their deal with Chargers. Unfortunately

they are paying for it today in continuing to operate under the existence of threats from the Chargers ownership to leave San Diego if a new stadium isn't built on its terms. Regardless of the league, type of facility, franchise popularity, championship trophies won, no local governmental unit needs to put itself in a position where they provide annual operating subsidies (especially from own source tax revenues) to sports franchises.

The urban economic theory set forth by Tiebout, aptly named the Tiebout Hypothesis, suggests that consumers move from one municipality to another until they find the right mix of local public goods and tax payments that maximizes their utility (Tiebout, 1956). Higher income people can and do leave cities producing declining levels of what are referred to as own source revenues (local taxes accruing the local government). Guaranteeing a long-term financial operating subsidy to a franchise may not be in the best fiscal interest of a local government. These subsidies get even more politically intolerable in slow growth economies where stories repeatedly arise when local government services are not adequately funded.

What actions did the city take in its negotiations and agreement with the Padres that better protected their investment and served their goals for a new neighborhood?

The voters of San Diego approved a memorandum of understanding (MOU) with the Padres, the city's Redevelopment Agency, and the city's Center City Development Corporation (CCDC). The MOU and the more detailed resulting agreement were designed to ensure that the redevelopment strategy would create incremental tax dollars to pay for the public's investment in the ballpark and that a convention center hotel would be constructed.

San Diego made a concerted effort to establish benchmark goals that John Moores needed to meet for the development agreement to continue. For example, the city would not

authorize the purchase of land necessary to start construction unless John Moores demonstrated that financing was in place for the building of at least 1,000 hotel rooms and \$500 million in ancillary real estate development. For San Diego's approximately \$290 million dollar investment in the ballpark project, the city assured itself the baseball team would call San Diego home for at least 22 years, PETCO Park was built, at least 1,000 hotel rooms developed to support the convention center, and a development guarantee to ensure the incremental tax revenues would accrue to finance its investment in the ballpark (Rosentraub, 2014).

The Ballpark District and PETCO Park created a template for public-private partnerships in the construction of sports stadia that was different than the previous set of subsidies. The public sector made a concerted effort to ensure that if public investment was going to be dedicated to the construction of a sports facility, that facility should be made part of a strategic plan that helped further the city's vision for its future development.

Los Angeles, AEG, and a Planned Effort for Downtown Los Angeles

In the early 1990's the civil unrest unfolding in Los Angeles in the wake of Rodney King's beating and the subsequent not guilty verdict in the trial of the involved police officers triggered a series of riots. The level of violence in the city created a national image of a community completely out of control; private sector investment in the downtown area plummeted. Perception, as often is the case, did not match the reality of the fundamental changes happening in downtown Los Angeles. Crime rates in the area actually declined in 1993 and 1994. Nevertheless, the Los Angeles Convention Center (LACC) was not attracting the number of meetings and visitors needed to repay the bonds sold to build the facility. The convention center had been an on-going financial quagmire for local government since its

opening in 1971. Anticipated attendance levels and traffic in conjunction with the facility didn't reach the anticipated levels and revenues were insufficient to pay for its expenses. Leadership decided an expansion to 500,000 square feet of exhibition space would alleviate its troubles by allowing it to accommodate and attract a larger range of exhibitions and trade shows. The idea that *more* convention center space will help alleviate sagging attendance and trade show levels by seeking larger-scale events is not a tactic unique to Los Angeles. Indeed, the convention center business or climate has seen a boom in building that routinely does not produce the anticipated returns on investment even after expansions occur (Sanders, 1998). The blighted area surrounding the convention center was also not as asset for marketing the faltering center. As a result the LACC became a continual drain on the general revenue fund of local governments (Rosentraub, 2010, Rosentraub, 2014).

The Staples Center, home to the NBA/NHL's Lakers, Clippers, and Kings, and the L.A. LIVE entertainment complex were built as a part of a development strategy put in place by city leadership in conjunction with A.E.G. Worldwide to both address the convention center's financial woes and create a new downtown entertainment district and destination that could anchor a revitalization of the area. To put it succinctly, the city's main purpose in entering into the agreement with A.E.G. was to reduce the fiscal losses being incurred by the convention center. Any additional outcomes and changes that occurred in Los Angeles would be an ancillary, but not unwelcomed, development or benefit. The city had goals for the outcomes of its public/private partnership. They wanted the facilities built as close as possible the convention

center and all deteriorating buildings near the convention center were to be replaced. Lastly, the new arena had to be built without any public subsidies<sup>1</sup>.

The mechanics of the deal to redevelop downtown Los Angeles was replete with provisions that bound AEG Worldwide to performance guidelines. In exchange Los Angeles agreed to assemble the needed land for what became L. A. LIVE. The L.A. Arena Company was created by AEG (Phil Anschutz and Majestic Realty (Ed Roski) to build and manage the STAPLES Center. A second company was created owned only by AEG to build a large entertainment complex across a narrow street from the arena and the convention center. What was later named L. A. LIVE included a new headquarter hotel and commercial space that served as the west coast studios of ESPN and of AEG Worldwide. As part of the agreement the proposed entertainment complex and hotel was to be under construction within seven years of the agreement. AEG worked diligently to acquire the necessary land for the development immediately after construction of the STAPLES Center was initiated. The company was unable to obtain all of the necessary land. Los Angeles' redevelopment agency used its powers of eminent domain to obtain the needed final parcels. These parcels were then sold to AEG. In the past few years cities have been increasingly reluctant to use eminent domain to acquire land. In addition, many states have placed stricter limits on the use of eminent domain. That political decision, however, does make redevelopment processes more difficult and expensive. In the current anti-eminent domain milieu, redevelopment efforts depend on existing land owners and governments reaching agreements that make economic sense for the new developer. Los Angeles at the time that L.A. LIVE was to be built, was able to use the power of eminent domain to facilitate the redevelopment process. With the land acquired Los Angeles

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<sup>1</sup> Whether or not the Staples Center was built completely without subsidy is up for debate. If the eventual subsidies provided for the hotel in the deals renegotiation are considered then this goal could be seen as unaccomplished.

was able to also negotiate with AEG for a detailed development plan that met its requirements and its vision for a revitalized downtown area.

Los Angeles' strategic plan for the revitalization of its downtown area was to utilize the STAPLES Center as the anchor in a sports and entertainment district that it hoped would improve the competitive posture of the convention center while also encouraging other developers to build new residences (often by repurposing abandoned commercial properties). The city utilized its assets and ability to assemble land to create the right type of investment package to funnel development to a strategic area that it believed would transform the image of Los Angeles and advance some of the city's financial goals and plans for downtown (Rosentraub, 2014).

The Public Policy Questions and The Dearth of Literature (regional v. micro effects)

What recent arena, ballpark, and stadium development projects have illustrated is that team owners in their negotiations and dealings with the public sector are looking to create partnerships that allow them to expand upon their asset. That expansion involves large-scale real estate projects that produce new revenue streams for the owner even when games are not played. There are other major public policy questions that while not part of this study also require attention when sports facilities are linked to adjacent real estate that includes substantial financial investments by the public sector. The first issue lies in the land transfers that are often part of these deals that in essence substitute one land use for another. Sports facility anchored development projects are often tapped for construction in neighborhoods that were classified by a local government as blighted or deteriorated. In many instances the land was also in federal empowerment zones which made revitalization projects eligible for special federal grants, tax

credits, and other benefits. A fair question is whether acquiring of land through eminent domain was is simply an effort to relocate lower income households to enhance gentrification.

A second important public policy issue that will not be a focus in this dissertation is the appropriateness of a governmental unit designating master developer status that eliminated other developers from key roles in projects. In designating a single entity (usually the owner or a subsidiary group that the team owner is a partner in) with master developer status for redevelopment around a sports facility, the local government has chosen a “winner” in who gets to develop around the facility. Other developers are not given the opportunity to bid in the development of land adjacent to the facility. If other developers want to be part of the project they must become partners with the master developer. Whether or not local governments should select winners and losers in the real estate market is another critical question that warrants careful analysis. Not all sports venues related real estate development projects require that cities designate the team owner as the master developer without a competitive bidding process. For example, the land adjacent Citi Field, in which Related Companies and Sterling Equities (NY Mets) were designated developers, was a result of an open bidding process managed by City of New York’s Economic Development Corporation. The city ultimately determined that the Mets affiliated entity proposed the most desirable redevelopment plan for the land that would satisfy a number of the cities criteria for development<sup>2</sup>.

The majority of the scholarship that currently exists on the impacts of sports venues on the economy focuses on regional effects (Baade, 1996; Chalip, 2002; Coates and Humphreys, 1999; Danielson, 1997; Delaney and Eckstein, 2003; Euchner, 1994; Kurtzman, 2005, for

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<sup>2</sup> Even when land is awarded through an RFP process, like in NYC, opponents still exist. The developers of the project adjacent to Citi Field and the City of New York are currently embroiled in a lawsuit regarding the awarding process and other aspects of the project.

example). The preponderance of evidence has categorically found that sports facilities do little, if any, to impact regional economic trends. What this dissertation aims to do is expand upon the minimal scholarship that does exist that assesses “micro”-level impacts of sports facilities and consider crucial issues that help ensure that micro effects occur. The work of Nelson (2002), Coates and Humphries (2006), Tu (2005), Affeldt and Maennig (2012), Buckman and Mack (2012) have initiated an understanding of the “neighborhood” level effects that these facilities and ancillary real estate development can have that changes intra-regional development patterns. None of these efforts, however, has looked at organizational issues and the administrative structures needed to assist in the process of urban revitalization and in ensuring that initiatives succeed. In addition, the focus on neighborhood effects in efforts to secure public support for project and public financing has to also be anchored to an understanding of voting patterns. Public votes or referenda are usually required as part of any public investment in revitalization efforts involving sports facilities. Influencing voters and elected officials is also a point that must be considered and more fully understood.

It is important for the sport management field to adjust its focus to include these issues and their related points to better inform the practice of sport management and public and team officials. For too long the discourse has been fixated on the lack of regional economic benefits that accrue following the development of sport venue or as a result of the hosting of mega-events. There is sufficient work already available to sustain the points that venues and events have no (long-lasting) regional effects and that stand-alone facilities not linked to real estate development has no economic value to taxpayers. The failure to expand the discourse raises the possibility that the field of sport management may lose an opportunity to better inform public leaders and



industry officials regarding what concepts and proposals are likely to produce important economic changes and be supported by the electorate and their representatives.

### The Three Issues That Are The Focus Of This Dissertation

My professional and academic experience working with teams, universities, and municipalities in their efforts to revitalize areas anchored by sports venues have helped me conceptualize the relationship between the facilities used by sports teams and (a) urban planning, (b) economic and neighborhood development, and the (c) fiscal stability of cities. This dissertation's focus on three dimensions of this issue aims at adding new evidence to the effects and management issues associated with the use of sports venues for urban revitalization. In addition, in the concluding chapter a more robust research agenda is discussed identifying the work that is next needed to advance the practice of using sports venues for urban development. The research in this dissertation is designed to look at processes, designs, and approaches that increase the probability of gains for both teams and public sector in their partnerships to develop facilities.

The three distinct research efforts within this dissertation are interconnected in that they help frame what I believe to be a valuable thread of scholarship as it pertains to the relationship between cities and professional sports teams and urban revitalization. Each study covers an important segment of the sports and urban development process that frames this new approach to sport management and to the relationship between teams and urban space.

The first study focuses on providing a greater understanding of voter behavior when confronted with the decision of expending public funds for a sports venue. The literature on public subsidies for sports stadiums is clear that the spending of public funds to construct

facilities provides little, if any, overall economic benefit to the host community. Yet, time and time again elected officials support legislation, and introduce ballot measures, to provide invest in building and maintaining venues. When these decisions get placed on the ballot it provides an opportunity to gauge the public's interest in supporting a facility. This study focuses on the voters' support for referendum to invest in a stadium to serve the Seattle Seahawks. The data used were from the state's most populous area, King County, which is also the county in which the facility is located. The key contribution to the literature of this study is its emphasis on understanding and explaining the spatial impacts of voter behavior. An interesting finding of this study was that those living closest to the proposed stadium site were *least* likely to vote yes at the ballot, but those precincts within easy access to the stadium, also higher income voters in the most populated precincts were dramatically more likely to vote yes in the referendum. These findings exhibit the tendency of "NIMBY" voting behavior, where voters nearby to the stadium disliked the proposal, while voters who could easily enjoy the benefits from the stadium without having to deal with the negative externalities were in favor. Note also, as will be discussed later in this dissertation, the proposal made no mention of guaranteed levels of new real estate development. Such a commitment, as the literature has shown has the ability to elevate local property values and thus would produce tangible results for those living closest to the venue. The implications of this will be discussed in the conclusions.

The second study in the dissertation moves to an investigation of the intended and unintended outcomes of a master planned neighborhood development built in conjunction with a new ballpark for the San Diego Padres. This study analyzed the changes, both economic and demographic, that have occurred in downtown San Diego since the building of the ballpark district and assess how the neighborhood fared compared to others within San Diego during the

recession and whether or not the city's stated goals for neighborhood development were accomplished. The analysis focused on the performance of the Ballpark District based on four different criteria: (1) the extent to which a new neighborhood was populated and sustained through the recession; (2) the creation of an economically integrated neighborhood in San Diego; (3) the ability of the Ballpark District to attract young well-educated individuals as well as older higher income residents, and (4) the ability of the new neighborhood to protect property values during the recent severe recession. The construction of a sports facility was used as a lynchpin for accomplishing both urban planning and public policy goals for the city of San Diego.

The third and final study is a discussion of the management structure or models that have been put into place by municipalities in their development of sports-anchored urban revitalization strategies. Coordinating and navigating the nuances and complexities of developing public private partnerships is no small feat. Quasi-governmental agencies and/or special districts or authorities are routinely designated as the lead actor or decision maker in the negotiation and development of these partnerships. With the tremendous amount of public investment and trust being placed into these entities, which are generally *not* made up of elected officials but political appointees, very little research has been conducted to further understand the success and/or failures of these organizations and the impacts on outcomes of projects based upon their structures. Intergovernmental cooperation also plays a significant role in the development of public private partnerships. In the examination of redevelopment strategies put into place in Cleveland, Indianapolis a greater understanding of the role that these special purpose agencies and intergovernmental cooperation play in successful redevelopment strategies is explored. Attention is directed towards understanding the management structure or model used impact the bargaining power of the public sector agent in their negotiations with the private

sector. Simply put, successful urban revitalization strategies anchored by sports venues require unique management systems and the factors and reasons for this are discussed in the third study. Lastly this part of the dissertation will also review new partnership for an arena in Detroit for the Red Wings. The purpose of that part of the dissertation is to apply the management principles and outcomes analyzed in the third study to what is proposed for the new Detroit Red Wings Arena. That review offers insight into what might be expected and the implications for the future of downtown Detroit.

## Chapter 2

### **Proximity, Population, and Wealth:**

#### **The Pattern of Support for the Seahawk Stadium Referendum**

Dear fellow Washingtonians:

I've said from the start I wouldn't go forward with purchasing the Seahawks and building a new stadium and exhibition center without your approval. Knowing a "Yes" vote will be an act of trust, I'd like to share my commitments to this public/private partnership... Should we move forward, the new stadium and exhibition center will be a valuable asset – bringing our communities together and benefiting the state for decades to come.

— Paul Allen (Secretary of the State of Washington, 1997, p. 4).

### Introduction

Referenda voting outcomes provide important information regarding voters' assessment of the value of different forms of investments and expenditures by governments. Previous research has focused on voters' support or economic behavior or responses for expanded or new public spending for education, health care, and nuclear power. Relative to this dissertation and public support for investment in sports venues – and what can be learned from their votes and the type of projects that will be supported – the vote for a new stadium for the Seattle Seahawks was analyzed. In particular, through inspection of the geographic distribution of affirmative votes controlling for numerous demographic factors, important understandings are produced about

who supports public investments in sports venues. These data also inform important policy recommendations regarding what could be needed when planning sports-related developments.

The analysis is confined to the county where the facility would be built. Examination of the state-level voting results shows that the highest level of support occurred in and around King County. Looking at just one county in detail, especially such a critical one informs us in ways that looking at the same model across counties cannot. For example, it is difficult to escape the conclusion that voters in close proximity to the site were much more likely to vote against the referendum, while those in (typically wealthier and more populous) precincts within short driving distance were much more likely to vote in favor.<sup>3</sup>

Direct inspection of the geographic distribution of yes votes in the county suggests that a number of precincts near the epicenter, referred to as “SoDo” (an industrial district just south of downtown Seattle south of the historic (popular) Pike’s Place market, voted against the referendum. Yes votes increased beyond a small core surrounding SoDo. Indeed, the highest level of yes votes occurred in the densely populated precincts where wealthier voters lived and with short driving access of SoDo. This support, as will be discussed, suggests the value of certain real estate developments connected to a venue as a tool for engendering higher levels of political support.

Results of an empirical precinct-level voting model are entirely consistent with the observation that proximity and particular demographic characteristics are predictive of support

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<sup>3</sup> Of course, every choice has a cost and ours is that we are unable to design measurements to capture the well-known agenda control problem in referendum voting (originally, Romer and Rosenthal, 1978; see Filimon, Romer and Rosenthal, 1982; and Fort, 1988, 1997). Chang and Turnbull (2002) summarize the numerous works where agenda control has mattered in empirical analyses of voting. For example, the “reversion threat” does not vary for just a single county. All we can say is that the vote was very close, 51.1 to 49.9, suggesting evidence of agenda control.

for the initiative. Voting relative to proximity, however, is much more complicated than a simply linear relationship. While in general support for a stadium tends to increase with proximity to a stadium (Coates and Humphreys 2006; Dehring, Depken II, and Ward 2008) from an individual voter's perspective, publicly subsidized stadiums have both positive and negative components. For instance, Ahlfeldt and Maennig (2012) found that voters nearest to the proposed soccer stadium in Munich were more likely to vote against the referendum. In this study similar results were found. Specifically, support for CenturyLink Field is smallest nearest the proposed facility, but far more robust 10 to 30 miles driving distance from the stadium (in the nonlinear specification voting reaches a maximum at about 27.3 miles). Further, consistent with previous works focused on voting at the city- and county-level, the probability of a yes vote was higher in precincts with wealthier residents and higher proportions of minority voters. Surprisingly, home tenure status (renter v. homeowner) was not related to support for the public's investment in the venue. While this is not a direct test of the so-called "homevoter" hypothesis, this finding could suggest that the construction (and subsidization) of the venue was anticipated to have a little impact on residential property values (Fischel, 2005; Dehring, Depken, & Ward, 2008). Finally, the odds of a yes vote increased in precincts with older residents but decreased in precincts with higher proportions of white-collar workers.

First the background on the election is discussed. The next section describes the geographic distribution of yes votes across the county and its relationship to population and income. The precinct-level model of the probability of a yes vote along with a description of the data is in the fourth section. The results are reported in the following section with the conclusions in the last section.

## Background

Referendum 48 was decided in a statewide special election on June 17, 1997. The specific details of the stadium finance agreement can be found in the 28-page *Official Washington Voter's Pamphlet* (Secretary of the State of Washington, 1997). Overall, the ballot stated that the stadium would cost approximately \$425 million with a 76-24 public-private split (\$323 million public money). The referendum passed with support from 51.1 of the voters—820,364 yes; 783,584 no (Secretary of the State of Washington, 2009).

Some revenue elements to support the public sector's investment were added diversions from private spending -- \$95 million would come from a mix of user and tourist taxes including ticket and parking taxes, and a King County (Seattle) hotel room tax extension. The remaining elements in the public portion, although touted otherwise, were direct diversions of funds spent elsewhere across the state on public services. The most obvious of these was sales tax forgiveness amounting to \$101 million. Less obvious was \$127 million from a new lottery game. To the extent that new lottery games simply redistribute a given propensity in the population to gamble, this new game would divert funds from their previously allocated purpose. In 1997, before the referendum passed, lottery funds were exclusively dedicated to education construction projects for K-12 and higher education, economic development, problem gambling prevention and treatment, and the state's General Fund. Thus, there were impacts not just on private spending through new revenue devices, but also on the previous distribution of public spending.

The final element in the public portion was \$27 million in tax incentives offered to the builders of the stadium. Economically, it is difficult to determine the true cost of this \$27 million tax savings and "contribution." If the next best opportunity for these builders was a



purely private endeavor, was  $\frac{\$27\text{million}}{\$425\text{million}} \cong 6.4$  percent the "going rate" tax break on privately

financed development? If the next best opportunity for these builders was a purely public endeavor, then this \$27 million appears to be a phantom contribution; the public never would have born this cost in the first place since, presumably, the same tax break would have applied. If the latter was the case, then the true cost of the stadium was actually \$398 million and the public-private split was 74-26 (\$296 million public).

Proponents did all they could to portray Referendum 48 as essential for ensuring the Seahawks would remain in Seattle, building on threats and actions by the previous owner, Ken Behring, to move the team to California (those details are available in Fort, 1999). Los Angeles was without an NFL team and various investors had interests in securing a team that would be play its home games in the Los Angeles area. Behring tried to move the Seahawks to Hollywood Park just prior to the referendum. The NFL, under a league-enforced cooling off period turned his request down.

During the cooling off period, Paul Allen paid \$10 million for an option to buy the Seahawks and made it clear he would only exercise this option if a new, publicly funded, stadium would be built. If the option expired, the team would still belong to Behring whose past behavior predicted that the team could relocate. Thus, Allen's option left a unique underlying threat that voters could lose their team if they did not come through with the stadium subsidy by passing Referendum 48.<sup>4</sup>

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<sup>4</sup> There are a number of issues that would have made the relocation of a franchise to Los Angeles; some of those still exist today. First, in the 1990s, the University of Southern California had already indicated its opposition to luxury seating options. Second, residents of Pasadena were also reluctant to have an NFL play their home games at the Rose Bowl. This would mean that the any NFL team would need to find a suitable

## Geographical Inspection, Population, and Income

Figure 2 shows the geographic distribution of yes votes for Referendum 48 by color-coding the yes-vote percentage by precinct for the most densely populated part of King County (the county actually extends a bit farther south and quite a bit more east but especially the latter has such a low population that not much is missed by the focus on the portion of King County in Figure 2). Figure 1 illustrates that the residents of SoDo had only mild support for the referendum (the precinct containing the stadium location and the one just south; note that population density here is quite low, due to the commercial nature of these precincts, and these two are large, in land area only). Just as clear, is that in every direction except south, opposition to the referendum was substantial. The only places in support in this area of heavy opposition were on waterfronts. For readers familiar with the area, this includes the Pikes Place Market/Pioneer Square/Pier area along the Alaskan Way Viaduct, the west edge of Lake Union along Westlake Avenue North before Aurora Bridge (West Queen Anne), the Madison Park/Washington Park area served immediately by the Evergreen Point Floating Bridge (State Highway 520) on the south of Union Bay, and Laurelhurst/Windemere/Sand Point North of Union Bay.

The other striking feature is that the highly supportive precincts are all on the other side of Lake Washington — from Yarrow Point and Hunts Point, through Bellevue, and south to Renton. Voters living on Mercer Island were also supportive of the referendum. In addition, moving south from SoDo, mixed support turns at South Orcas Street running west from Seward Park gets even stronger south of this South Orcas Street “divide”.

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place to build a new stadium. Today the same constraints exist including AEG’s support from Los Angeles for the building a new stadium adjacent to the Staples Center.

Proximity to the residential waterfront and income were typically correlated. Figure 3 provides an income profile of the same King County precincts as in Figure 2. The entire State Highway 520 corridor, on either side of Lake Washington is high income, as is Mercer Island. The waterfront area of Laurelhurst/Windemere/Sand Point is also high income and was in support to the North of Union Bay. The other area of support was along Lake Union (West Queen Anne). While income and support were not completely associated, the relationship is visually striking in Figures 2 and 3.

The exceptions are interesting as well. The previously mentioned band of support south of SoDo is an example of a low-income area that voted for the referendum. Also, while the far west end of this band is within the middle-income bands (at Seward Park and the immediately adjacent precincts), the rest of the precincts in this band are in the second lowest income category in Figure 3. This is the area between the Seattle/Tacoma Airport (SeaTac) and SoDo, and it is suspected that support is related to presence of a vast number of restaurants and motels in the area. Another interesting area, not by income but by lack of support for the referendum, is at the west end of this same general band of support (west of Boeing Field and along the west side of Interstate Freeway 5). Perhaps it is the added immediate congestion of access to SoDo at this point that generated this strong opposition.

In summary, through visual inspection, it is safe to characterize the precincts that strongly favored Referendum 48 as follows. They are 1) outside of the core of opposition from SoDo to downtown Seattle and to the university district and, typically, 2) at the top of the income distribution. Also, it appears that support for the referendum was non-linear by distance (opposition immediately around the site, then support by those within easy access by car) and

that income and support for the referendum go pretty much hand-in-hand. More precise insights require modeling and a formal empirical approach to which we now turn.

## Background and Data

Borcherding and Deacon (1972) and Deacon and Shapiro (1975) originally explored the calculus of individual referendum voting decision (direct modeling and estimation of the direct demand for *expenditure* on publicly provided goods comes from Bergstrom and Goodman, 1973). As they point out, the main problem is that individual voting is not observed. Lacking individual voting data, it is typical to appeal to a pivotal voter like the “median voter” (Downs, 1957). Under this choice, the individual calculus informs empirical analysis, but one only need analyze one representative individual, namely, the voter holding the median expenditure preference.

Three other issues also arise. What statistics represent the median voter? For example, does the pivotal median preference follow from being at the median in income? In addition, what is the appropriate level of aggregation for the statistical characterization of the pivotal voter (a comprehensive review is in Hoxby, 2000)? Finally, there may be situations where actual spending outcomes are not the median voter’s most preferred outcome. This is the well-known Romer and Rosenthal (1978) “reversion threat” under agenda control (see the other citations in the introduction as well).<sup>5</sup>

The literature on referendum voting in the sports context is not quite so extensive. Agostini, Quigley, and Smolensky (1997) estimated a voting model at the precinct level for a ballpark in the San Francisco area finding that socio-demographic data shape voting preferences. Their analysis found that higher income, educated, and high-status job voters were more in favor of the

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<sup>5</sup>However, as we stated earlier, capturing this empirically for just a county in a state wide election was not possible. All we can observe is that the closeness of the election is suggestive of agenda control.

ballpark initiatives than their lower income, educated, and workforce counterparts. No attempt was made to determine whether or not proximity to the proposed stadium locations impacted voter decisions. Fort (1997) studied stadium-funding referenda for their general outcome characteristics and the importance of agenda control, but does no formal estimation of voting outcomes. Brown and Paul (1999) argue in support of the classic concentrated benefits/dispersed costs outcome common in the public choice approach for a city referendum in Cincinnati. Fort (1999) categorizes referenda in terms of their impact on spending levels compared to spending levels determined by elected representatives instead. Depken (2000) estimates fan loyalty and shows that it helps determine voting outcomes on nine city stadium elections.

More recently the issue of stadium proximity has become an area of increased interest in the literature. As noted, a number of studies have shown that the construction of a stadium, some of which are key pieces to integrated mixed-use real estate development projects, has had positive impacts on property values (Tu 2005; Dehring, Depken, and Ward 2007; Feng and Humphreys 2008, 2012; Ahlfeldt and Kavetsos 2014)). Moreover, property values typically increase the closer a parcels was located to the venue. This “proximity” effect has also been found in voting behavior for stadium referendum. For instance, Coates and Humphries (2006) found being close to the facility increased yes vote percentages for both sports facility referenda in Houston (NBA’s Rockets) and Green Bay (NFL’s Packers). Additionally, Dehring, Depken II, and Ward (2008) found a proximity effect to voting outcomes in the new NFL Cowboy stadium in Arlington, Texas. However, the effect of proximity on voting outcomes is potentially more complicated. For instance Ahlfeldt and Maennig (2012) find in an analysis of a professional soccer stadium in Munich that voters nearest to the proposed stadium cite actually were more likely to vote against the referendum. This “not in my backyard” effect signifies that in some

sense voters may actually experience higher costs from a stadium being built (e.g. noise, pollution, congestion). The size, scale and use of the facility are also important to consider from a voter's perspective. Does the amount, and or frequency of activity generated at the stadium or arena impact the voter's decision? Do voters consider venues with larger footprints and parking requirements that have a high seating capacity but low event frequency potential (football, soccer stadiums) different from smaller more active venues (arenas, and baseball stadiums)?

To evaluate the impact of proximity (and other socioeconomic variables) on voting outcomes for the Seattle Seahawk stadium data were obtained from two different sources. Precinct level voting outcomes from King County for the 1997 Special Election were obtained from the Secretary of the State of Washington, and census tract socio-demographic data were obtained from the 2000 census (Social Explorer Tables (SE), Census 2000, U.S. Census Bureau and Social Explorer). To link precinct-level voting outcomes with census tract demographic information the U.S. Census Bureau in conjunction with the State of Washington has created Voter Tabulation Districts (VTDs) that correspond to election precincts. However, election precincts do not match up directly with the underlying census tracts. Some election precincts coincide with several different census tracts. The least complicated observed result is a single precinct covering precisely one census tract.

To actually match socio-demographic data with precinct voting, I utilized allocation factors for the 2000 census tracts found at the Missouri Census Data Center (2012). These allocation factors provide the proportion of each VTD (matched to election precincts) that overlaps different census tracts. Specifically, precinct level socio-demographic variables were created using a simple weighted average of the allocation factors and census tract socioeconomic data. For example, suppose precinct A covers portions of two census tracts,  $c_1$  and  $c_2$ . The weights

from the Missouri Census Data Center might be  $\bar{M}$  and  $\bar{M}$ . If Median Family Income in each of the tracts is  $M_1$  and  $M_2$ , then our income variable for this precinct is just  $M_A = \frac{1}{2}M_1 + \frac{1}{2}M_2$ .

Turning to specification of independent variables, the general line suggested in the voting literature already cited was followed: people vote in their own self-interest, subject to the price they will pay for the outcome. Our primary measure of net benefit impact is proximity (data descriptions and descriptive statistics are in Table 1). At the precinct level, this will depend on whether the benefits from living close to the stadium are overcome by the possible negative externalities of crowded game days (simple congestion, rowdiness, drunkenness, etc.). Remember, this is not about who owns businesses closest to the stadium, it is about actually living in close proximity so that your voting precinct close to the stadium. It should not be surprising then that the actual business operators and others who still enjoy the benefits of the stadium without suffering the externalities (those who drive into the area for business or pleasure) might experience higher net benefits than those actually living close to the site. DISTANCE and its square were used (for nonlinearity).

To establish distances, the boundary “shape files” for the State of Washington’s 2000 Census VTDs were obtained from the National Historical Geographic Information (Minnesota Population Center, 2011). Using ArcGIS software, centroids were calculated for the VTDs. DISTANCE then is the driving distance (in miles) from a given precinct’s centroid to the exact longitudinal coordinates of the proposed stadium site.<sup>6</sup>

The rest of the economic calculus of voting involves price and income (controlling for population). Again, each of the precinct level socioeconomic variables are calculated as just

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<sup>6</sup> We also estimated voting models with both driving time (generated in GIS) and actual linear distance as our distance measures with similar results.

described—the weighted average of "allocation factors" and the socioeconomic variable of each census tracts covered by a given precinct. Direct measurement of population effects poses a problem. Precinct population could not be obtained for 1997; using population from the 2000 census would produce incorrect scaling with some precincts having more registered voters in 1997 than population in 2000. So, instead, REGISTERED VOTERS was used to indicate the number of individuals living in precincts that are registered to vote (subsuming the decision to register in the first place).<sup>7</sup> On the other hand, scaling the rest of the variables detailed below using 2000 population causes no problem since 2000 is their measurement year. Price is also problematic because of the multi-source revenue specification in the referendum (a variety of taxes, lottery and sales tax diversion, and tax forgiveness). The approach taken was the one used in the voting literature that identifies groups whose welfare would be expected to change in predictable ways. One way or another, housing values and incomes will indicate different positions on the dimension of payment for the facility. Median precinct HOME VALUE and median precinct household INCOME measures these two with the usual multicollinearity baggage accompanying the latter (see the correlation matrix in Table 2). It was also hypothesized that the portion of the precinct population OVER65 should be opposed to paying for long-term capital projects since they are more likely to enjoy a relatively shorter period of benefits.

The rest of the variables control for a wide variety of reasons different people vote differently. In percentage terms, white voters turn out at lower rates than minorities. HISPANIC, ASIAN, and BLACK precinct population proportions were included to consider the effect of race and cultural on support. These variables were repeatedly studied by others. It was also

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<sup>7</sup> Issues involved with estimation and the hurdles to voting—registration, turnout, and falloff—are in Fort (1995).



hypothesized that renters fall prey to a form of payment illusion since they may not understand that part of their rent actually goes to pay for the same services as owners. To check for this possibility, the proportion of housing units within the precinct that are RENTER occupied versus owner occupied was included. Education has been found in past studies to impact the voting choice, so the proportion of the precinct population over the age of 25 year with at least a 4-year COLLEGE degree was also part of the model. Poor voters may think differently about their returns to this type of public spending as opposed to others they prefer. The proportion of the population below the federal POVERTY line is included to account for this possibility. Finally, voting can vary by occupation as well as income so we round out our variable selection with the proportion of the precinct population in WHITE COLLAR occupations.<sup>8</sup>

### Empirical Strategy

Following the visual analysis of the precinct-level distribution of yes votes in section III, we now presents the methods used to empirically investigate the Seahawk stadium referendum outcome. Referendum voting outcomes were predicted using the standard, linear specification:

$$(1) \text{pcty}_i = \alpha + \beta X_i + \varepsilon_i$$

Where the dependent variable (  $\text{pcty}_i$  ) is the percent of votes cast for the referendum in each of the  $i$  precincts,  $X_i$  is the vector of explanatory variables,  $X$

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<sup>8</sup> Even though we could calculate the dependent variable in past works, there are no other similarities in our data that allow any meaningful, direct, statistical comparisons. For example, rather than our “allocation factor” weighted average approach, Coates and Humphries (2006) assign all precincts in the same tract with identical tract information, reducing the variation across precincts. They also create a categorical distance distinction: precincts in Zone 1 contain the facility site or are contiguous to the facility site; precincts in Zone 2 are contiguous to Zone 1; precincts in Zone 3 are contiguous to Zone 2; the rest are Zone 4. They employ variables that measure the percent of the precinct population that is male and independently identify “urban” precincts. In addition, Green Bay is quite possibly the most unique NFL market (if not the most unique of all pro sports markets), inhibiting any comparison to our football case in the State of Washington. Finally, while Houston is more like Seattle in terms of size and city amenities, the referenda there concerned a basketball arena, again reducing meaningful comparison to our football case. Similar problems prohibit any comparison with Ahfeldt (2011).

and  $\varepsilon_i$  is a zero mean disturbance term. Also, following the literature we use a White/Huber “sandwich” correction for heteroscedasticity.

In addition to this standard empirical model, in this a “group logit” model was used. This model originally used by Theil's (1970) has been used to estimate vote shares for representative voter models in the political science literature (Mikhailov, Niemi, and Weimer, 2002, following the original insights in Katz and King, 1999; for extensions in multiparty votes see Kamakura and Mazzon, 2007, and Basinger, Cann, and Ensley, 2011). The benefit of the group logit model is that it increases efficiency by giving greater weight to the outcomes with the greater number of votes cast, and hence smaller variances.

To specify this model let  $n_i$  = population in precinct  $i$  and at issue is the improvement using a weight proportional to  $n_i$ . The group logit is a two-step procedure. In the first stage

$$(1) \log \left( \frac{pcty_i}{1 - pcty_i} \right) = \alpha + \beta X_i + \varepsilon_i,$$

is estimated and in the second stage, the proportion of voters is predicted, and the following analytical weights are applied to each of the  $I = 1, \dots, I$  precincts:

$$(2) n_i pcty_i (1 - pcty_i)$$

Finally, another important empirical consideration is the proper functional form of our distance specification. To capture potential nonlinearities we implement two different distance specifications. First, similar to Coates and Humphreys (2006) and Ahlfeldt and Maennig (2012) we specify distance as a series of discrete continuous rings around the proposed stadium.

Additionally, a continuous specification incorporating both a distance and distance-squared term was used.

## Results

The results of the empirical models are presented in Table 3. The first two columns present the results of the standard linear probability model, with the first column presenting the model estimated with a continuous distance specification and the second column presenting the results of the model estimated with distance modeled as a series of discrete contiguous rings. Specifically, the contiguous rings are delineated at 5-mile increments, with the base case being voting areas more than 35 miles from the stadium. The next two columns presents the marginal effects of the group logit models estimated with the same distance specifications. Note that, the point estimate for marginal effect of the continuous distance specification takes only 1 value (i.e. there is no marginal effect for DISTANCE-squared since the marginal effect is the derivative of the probability function with respect to DISTANCE). In order to clarify the effect of DISTANCE from the Group Logit model; Figure 3, presents the predicted yes-vote probability conditional on DISTANCE from the stadium.

Overall, the signs on most of estimated coefficients are as expected. The odds of a yes-vote are larger in precincts with more REGISTERED VOTERS. Increases in INCOME across precincts increase the odds of voting yes. Recall that this aligns with “easy access” a short drive away from the SoDo (as with our earlier discussion of Figure 2). Higher proportions of minority voters increase the yes-vote odds. In addition, it is interesting that odds of voting yes increase with OVER65. This is counter to the hypothesis and worth further investigation in subsequent research. There is mixed evidence that the probability of voting yes increased with HOME VALUE, at least it is significant in the models utilizing the distance band specification.

Additionally, there was little to no impact of the odds of yes-votes increase with RENTER. While this is not a direct test of the so-called “home voter” hypothesis, it suggests that the venue was expected not to have a significant impact on residential property values (Fischel, 2005; Dehring, Depken, & Ward, 2008). Education in the form of COLLEGE is generally not a statistically significant explanatory variable. Again, the impact of POVERTY is mixed. In the group logit specification the variable reduces the odds of yes voting, which is consistent with the idea that the poor have higher priorities for public spending.

In terms of distance, similar results were found in all four models estimated. Specifically, the King County yes-vote is actually the smallest in areas in closest proximity to the proposed stadium site; as driving distance increases, the probability of voting increases, and then declines. In the contiguous rings specification yes-votes were the highest 10 to 30 miles driving distance from the stadium, and in the nonlinear specification voting reaches a maximum at about 27.3 miles, (according to the estimated coefficients on DISTANCE and its square).<sup>9</sup> The nonlinear distance effect for the group logit model with a continuous distance specification is presented in figure 4. This nonlinear effect of proximity on voting outcomes makes intuitive and economic sense. For those that actually *live* closest to the stadium, externalities and other disamenities will be largest. It is those with the easiest access to the stadium site, but somewhat removed by a short drive, that will actually enjoy the amenities without the downside. In addition, to the extent that voters who operate businesses in close proximity to the proposed stadium site actually do not live there, but instead also populate the “easy access” areas, they will be more likely to vote yes as well.

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<sup>9</sup>The relationship in Figure 3 is derived using the sample averages of the data and, since King County voters were by and large in favor the x-axis starts at 50%. However, we are able to isolate the impact of distance and it is distinctly different that that found in the previous literature.

## Conclusions

On June 17, 1997 voters in the state of Washington passed Referendum 48 with 51.1 percent of the popular vote. Qwest Field (now CenturyLink Field) was eventually constructed and professional football remained in the Washington. Eventual owner Paul Allen purchased a time sensitive option to buy the Seahawks, spent millions on advertising, and covered the cost of the special election. The election was clearly characterized by the threat that the team would be lost in the event of referendum failure by then-owner Ken Behring and by owner-in-waiting Paul Allen.

In a precinct-level representative voter model, a number of interesting outcomes were observed. Foremost, there was a nonlinear impact of distance on voting outcomes. Direct inspection of the geographic distribution of yes-votes indicates weak support for the referendum from those living near the proposed site of the venue, outright opposition in a long corridor along the proposed site, but strong support in an “easy access” ring, a short driving distance from the proposed site. In the parametric models yes-votes were actually lowest closest to the proposed stadium cite, highest 10 to 30 miles from the stadium (or peaked at 27.3 miles in the continuous distance specification), and then fell off again. This nonlinear proximity effect is different than the findings of Tu (2005) and Coates and Humphries (2006) and signifies that, in terms of close proximity to a stadium, voters may actually experience higher costs (e.g. noise, pollution, congestion). Consistent with Ahlfeldt and Mennig (2012) professional football stadiums in the United States may also exhibit “not in my backyard” voting behavior. Moreover, this is consistent with voting behavior in numerous public projects such as national forests (Kim & Johnson, 2002; Ham, Champ, Loomis, & Reich, 2012).

Second, additional socio-demographic variables impact voting as they have in past studies with the exception that the odds of voting yes increased as the proportion of the precinct population over age 65 increased. In addition to this interesting outcome, the preference formation of minority voters deserves focus in subsequent research.

Understanding voter preferences regarding the placement, type, and public investment package for sports facility and adjacent real estate development is an important line of research that the field should continue to develop moving forward. Determining voter preferences for proximity to different types of sports venues is a novel contribution to the field, by understanding how homeowners and voters derive expected future benefits from these facilities. Numerous studies find a proximity preference that is NIMBY at the local level, but in areas with ease of access within the region there is large support for the facility being built. Coates and Humphries (2006) found voters near to the proposed site of a new arena<sup>10</sup> are in favor of it being built. The difference may in fact lie in the derived benefits from the proximity of the facility, and whether or not the development is part of an integrated mixed-use real estate development strategy. Stadiums for both forms of football are (in general) outdoor venues that are primarily in use only for the anchor tenant of the facility<sup>11</sup>. These sports provide a more raucous atmosphere around the facility, as tailgating prior to the event is a habitual routine for fans. This type of activity is counter to the activity generally seen in an arena venue. Anchor tenant for arenas (NHL or NBA or both) host only 50 events per team per year, most occurring at night, with activity at the facility not seen as a normal behavior. These arena's regularly produce well over 100 event

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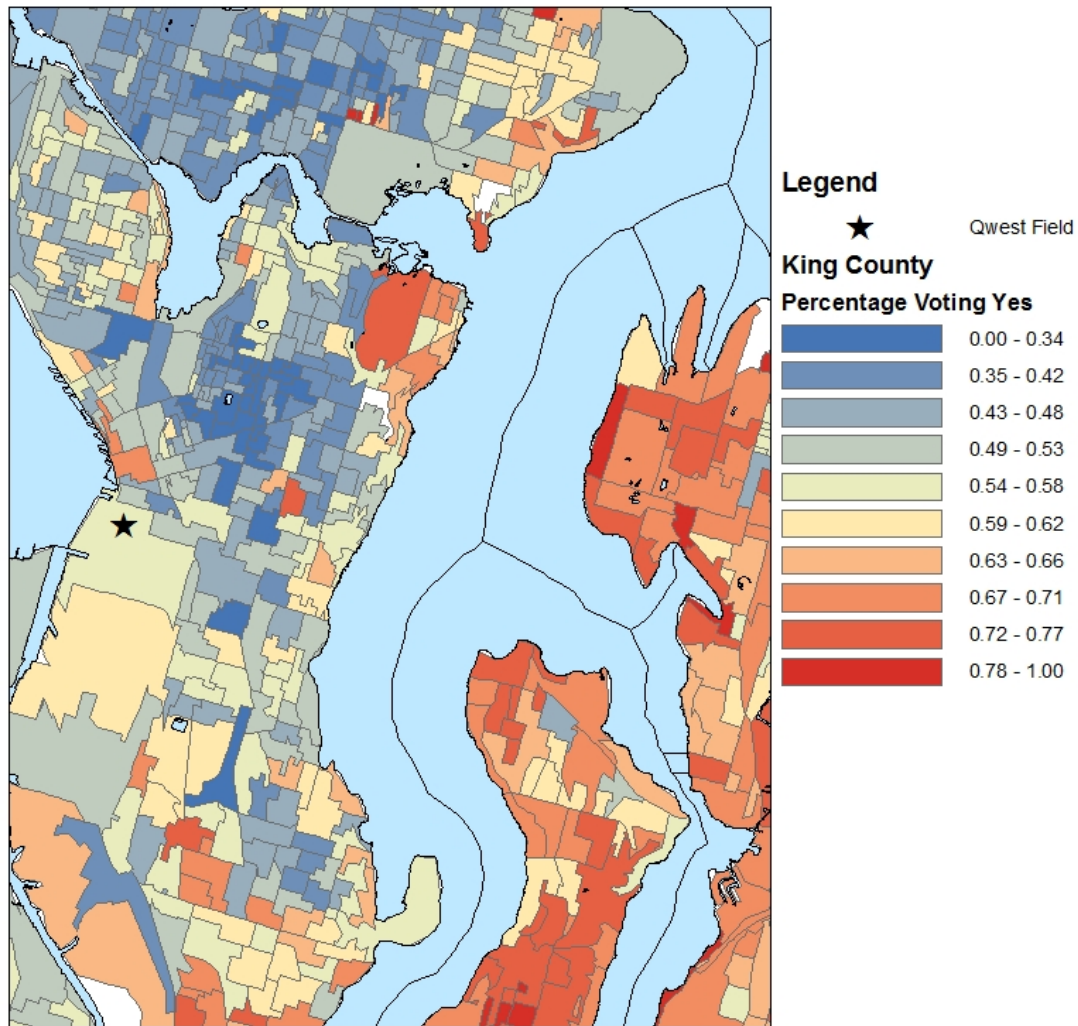
<sup>10</sup> As previously discussed the Green Bay findings are unique in my opinion, not replicable in the rest of the NFL.

<sup>11</sup> This trend is changing with facilities like the one built for the Dallas Cowboys that are more comparable to large event centers, with many re-configurable meeting spaces within the facility. It is possible that the findings of Dehring et al. could be consistent with the home-voters expectations for activity to be generated more along the lines of an arena type venue, than a traditional football stadium.

nights that are needed to keep the facility viable which in many cases spurs economic development (in the form of bars and restaurants) ancillary to the facility. Future work in the field should be directed toward trying to understand this relationship. Are facilities that are in consistent use (arena's, baseball stadiums) more preferred by residents to have in close proximity to their homes than football stadiums (which are in use less) due to the belief that the derived benefits from the facilities construction will outweigh the negative impacts of the facilities location? Does the facilities inclusion (or exclusion) as part of greater mixed-use real estate development plan alters voter preferences? A greater investigation about this dynamic can help direct policy makers and planners in their discussion on citing of future facilities, and whether or not public subsidies are warranted for facilities.

Figure 2. Referendum Bill 48: Geographic Voting Outcomes.

### Referendum 48 Voting Outcomes King County, Washington



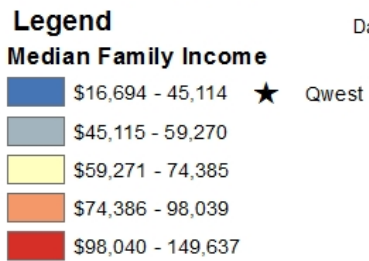
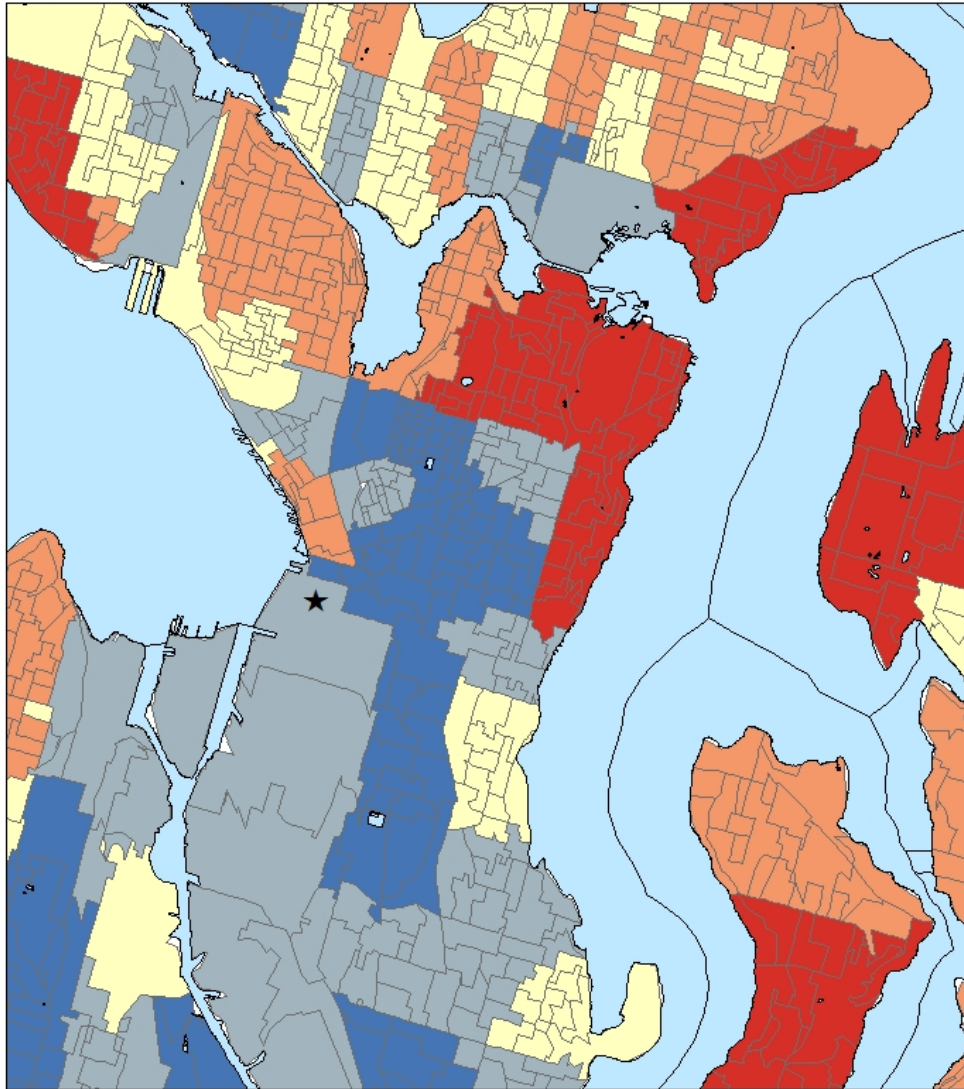
Data Sources: NHGIS (National Historical Geographic Information System)  
State of Washington 1997 Referendum 48





Figure 3. Referendum Bill 48: Geographic Income Distribution.

### Referendum 48 King County, Washington



Data Sources: NHGIS (National Historical Geographic Information System)  
U.S. Census Bureau 2000 Census



Table 1. Variables and Descriptive Statistics (2,500 observations)

<u>Variable</u>	<u>Explanation</u>	<u>Min</u>	<u>Max</u>	<u>Mean</u>	<u>SD</u>
VOTES	Total votes cast	2.00	290.00	108.75	38.70
%YES	(Yes votes /VOTES)*100	8.33	90.00	57.92	10.62
DISTANCE	Driving distance from the stadium	0.31	75.11	12.40	8.09
REGISTERED VOTERS	The number of individuals registered to vote in a precinct	3.00	1134.00	372.05	132.14
HOME VALUE	Median Owner-Occupied home value divided by 1000	23.40	781.00	255.10	104.39
INCOME	Median household family income divided by 1,000	16.69	149.64	68.35	20.35
OVER65	% of POPULATION over 65	1.43	43.51	11.40	4.96
HISPANIC	% of POPULATION that is Hispanic	1.18	37.10	5.08	3.51
ASIAN	% of POPULATION that is Asian	0.34	58.05	10.18	8.45
BLACK	% of POPULATION that is Black	0.12	50.06	5.02	7.09
RENTER	% of POPULATION in renter occupied housing	2.89	97.32	37.64	21.18
COLLEGE	% of POPULATION with at least a four year degree	2.12	51.15	27.79	9.77
POVERTY	% of POPULATION below federal poverty line	0.20	48.73	8.20	6.22
WHITE COLLAR	% of POPULATION in white collar occupations	15.53	68.66	45.03	10.60

Sources: Voting data are from the Secretary of the State of Washington (2007). Demographic data are from U.S. Census Bureau (2000).

Note: Since estimation cannot happen if precincts actually have 0% or 100% YES, one precinct was eliminated from the data (100% YES).

Table 2. Correlation Matrix

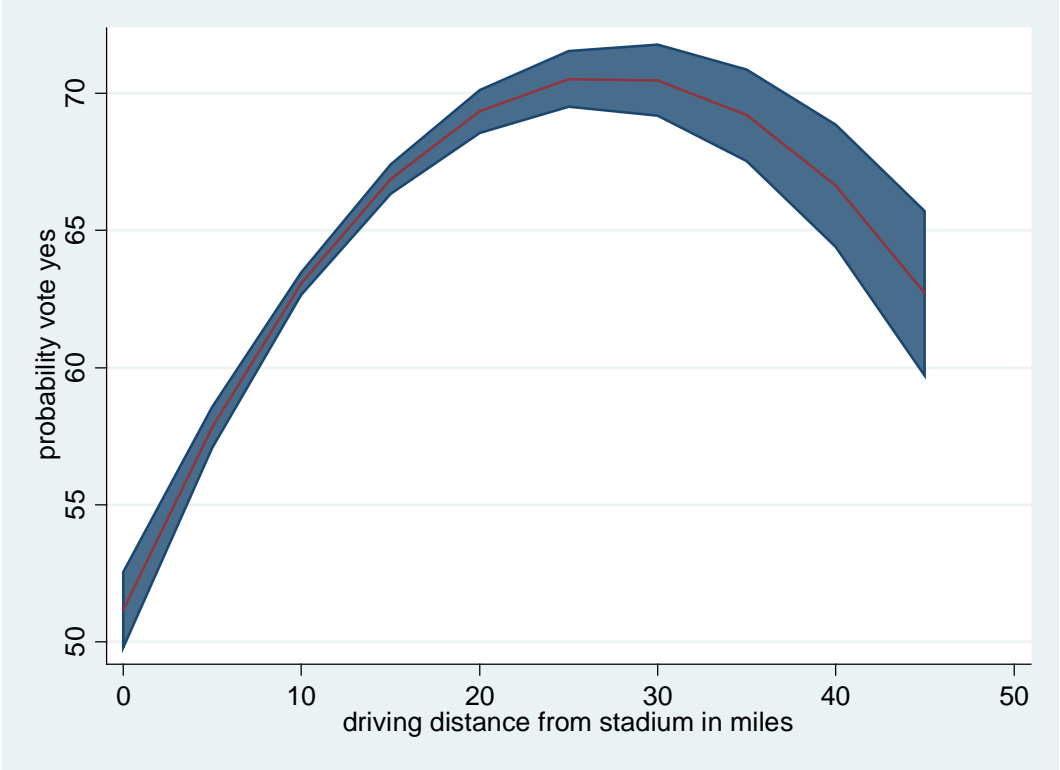
	% YES	DISTANCE	REGISTERED VOTERS	HOME VALUE	INCOME	OVER65	HISPANIC	ASIAN	BLACK	RENTER	COLLEGE	POVERTY
% YES	1.000											
DISTANCE	0.287	1.000										
REGISTERED VOTERS	0.166	0.266	1.000									
HOME VALUE	0.079	-0.271	-0.053	1.000								
INCOME	0.235	-0.014	0.026	0.857	1.000							
OVER65	0.018	-0.280	-0.223	0.195	0.118	1.000						
HISPANIC	0.012	-0.030	-0.015	-0.501	-0.614	-0.138	1.000					
ASIAN	0.127	-0.235	-0.050	-0.215	-0.282	0.014	0.250	1.000				
BLACK	-0.102	-0.258	-0.075	-0.276	-0.447	-0.047	0.345	0.456	1.000			
RENTER	-0.334	-0.378	-0.044	-0.277	-0.582	-0.052	0.441	0.121	0.249	1.000		
COLLEGE	-0.085	-0.381	-0.029	0.706	0.663	0.045	-0.586	-0.247	-0.399	-0.072	1.000	
POVERTY	-0.284	-0.263	-0.059	-0.342	-0.641	-0.101	0.470	0.313	0.457	0.696	-0.330	1.000
WHITE COLLAR	-0.172	-0.522	-0.131	0.709	0.573	0.228	-0.538	-0.127	-0.176	-0.019	0.828	-0.159

Table 3. Empirical Results

<u>Variable</u>	Linear Probability Model		Group Logit	
	continuous distance variables	Discrete Distance rings	continuous distance variables	Discrete Distance rings
Distance	1.167*** (0.130)	--	0.751*** (0.045)	--
Distance-squared	-0.021*** (0.004)	--	--	--
0 to 5 miles from stadium	--	-3.220** (1.513)	--	-4.084** (1.767)
5 to 10 miles from stadium	--	0.913 (1.371)	--	-0.383 (1.638)
10 to 15 miles from stadium	--	7.783*** (1.365)	--	7.398*** (1.627)
15 to 20 miles from stadium	--	8.650*** (1.342)	--	8.796*** (1.584)
20 to 25 miles from stadium	--	7.343*** (1.342)	--	8.033*** (1.583)
25 to 30 miles from stadium	--	7.835*** (1.451)	--	8.368*** (1.616)
30 to 35 miles from stadium	--	3.046* (1.610)	--	4.068** (1.982)
Registered Voters	0.006*** (0.002)	0.007*** (0.002)	0.004*** (0.001)	0.005*** (0.001)
Home Value	0.005 (0.005)	0.012** (0.005)	0.007 (0.005)	0.014*** (0.005)
Over 65	0.272*** (0.045)	0.184*** (0.046)	0.306*** (0.043)	0.233*** (0.045)
Hispanic	0.528*** (0.092)	0.406*** (0.086)	0.679*** (0.084)	0.601*** (0.085)
Asian	0.316*** (0.028)	0.253*** (0.027)	0.393*** (0.028)	0.332*** (0.028)
Black	0.086** (0.040)	0.069* (0.040)	0.112*** (0.038)	0.070* (0.039)
Renter	0.006 (0.016)	-0.004 (0.017)	0.027* (0.016)	0.006 (0.016)
College	0.043 (0.048)	-0.078* (0.046)	0.036 (0.046)	-0.069 (0.046)
Poverty	-0.116 (0.074)	-0.107 (0.073)	-0.228*** (0.055)	-0.226*** (0.054)
White Collar	-0.159*** (0.036)	-0.140*** (0.036)	-0.183*** (0.038)	-0.163*** (0.038)
Income	0.208*** (0.031)	0.187*** (0.031)	0.242*** (0.030)	0.212*** (0.030)
Constant	27.525*** (2.524)	38.026*** (2.325)	--	--
Observations	2500	2500	2500	2500
R-Squared	0.355	0.379	0.394 <sup>a</sup>	0.4090 <sup>a</sup>

Notes: Standard errors are in parentheses. \*\*\*Significant at 99% level. \*\*Significant at 95% level. \*Significant at 90% level. Marginal effects are reported for the group logit models. <sup>a</sup> indicates adjusted R-squared.

Figure 4. Predicted odds of voting yes, conditional on distance.



Notes: Probabilities of yes votes were predicted using the mean of all other covariates. Blue band indicates a 95% confidence interval.

## Chapter 3 – A Ballpark and Neighborhood Change: Economic Integration, a Recession, and the Altered Demography of San Diego’s Ballpark District

### Introduction

One concern raised when revitalization plans are introduced is that new housing for higher income households would result in new forms of economic segregation or gentrification. This concern is even more pronounced when real estate projects are linked to the venues hosting professional sports teams. The owners of these franchises are usually seeking to maximize revenues and profit margins associated with properties sold to or used by higher income individuals and families – unless subsidized by the public sector – are more robust. If there is to be broader political and social support for mixed used developments linked to sports venues and urban revitalization it has to be understood if the new neighborhoods that are built are in fact economically segregated.

Data or information assessing whether or not if urban revitalization efforts linked with sports venues create higher levels of economic segregation is important. What is equally important, however, is that central cities need to have more higher income residents. To reach that goal some neighborhoods that attract and retain those households are needed. The notion that when a city loses half of its residents that there is insufficient land to accommodate all income groups is difficult to sustain. The study included in Chapter 3 does not address the degree to which central cities have the flexibility to accommodate all income groups without

displacing anyone. That issue, however, does need to be studied. Instead, what is done, is to carefully assess outcomes in the largest revitalization effort ever linked to a sports venue.

In the late 1990s the owner of the San Diego Padres and the City of San Diego (California) entered into a partnership for the building of a new ballpark. The City of San Diego agreed to invest \$186.5 million in the facility and other public entities (The Downtown Redevelopment Authority and the Port Authority) committed \$109.5 million to the project. The total public sector investment was \$296 million.<sup>12</sup> The Padres invested \$115 million and was responsible for all cost overruns. Those overruns would lead to a total investment by the team of \$187.1 million for a state of the art ballpark that would permit the Padres' ownership to enjoy numerous revenue streams that were not available to the team at the facility where they played their home games (Qualcomm Stadium. At that venue naming rights, advertising income, and other revenue streams were controlled by the San Diego Chargers.<sup>13</sup> In addition, playing in a facility specifically designed for baseball meant there would be dramatically enhanced sight lines for fans (Qualcomm Stadium was built for a football team) that would sustain higher ticket prices generating more income for the team.

At first blush this might seem like the typically imbalanced partnership between teams and the public sector (Rosentraub, 1997; Chapin, 2004). In most of those partnerships a city and other public sector agencies invest more than the team's owner in a new facility while the team receives most (or all) of the enhanced revenue streams. What made this deal unique, however, was that in addition to the contribution of \$187.1 million for the ballpark by the San Diego

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<sup>12</sup> The investment by the Port Authority did not involve taxes levied against residents of San Diego but was generated by fees collected by the independent authority.

<sup>13</sup> The stadium was built for the football team and most revenue streams were given to the Chargers when they relocated from Los Angeles. The San Diego Padres were created a few years later and were tenants who were not given access to most of the revenue streams generated by the stadium since those were already guaranteed to the Chargers by their lease with the City of San Diego.

Padres, the team's owner also **guaranteed that \$487 million** in new real estate development would occur in a newly planned and renovated neighborhood surrounding the ballpark. The new real estate developed would adhere to a plan approved by the City and the team's owner. The investment was to be in a new downtown neighborhood that would include amenities and elements specified by the City through its negotiations with the Padres' owner, John Moores. The agreed to plan for the Ballpark District included a commitment to add 1,000 new hotel rooms to enhance the attractiveness of San Diego's Convention Center. These hotels also had to be designed to enhance the visual and aesthetic appeal of the new neighborhood. Never before had a team owner guaranteed a specific level of ancillary real estate investment in conjunction with an agreement with the public sector to finance and construct a stadium or arena. . Notably, long before the deadline to complete the \$487 million investment (which was required across two time periods) the total amount of new real estate built had a market value in excess of \$2.87 billion (Rosentraub, 2010).

Why was a new ballpark needed? The San Diego Padres was a tenant in a football stadium built for and controlled by the National Football League's San Diego Chargers. The Chargers began play at the stadium when it opened in 1967 and their lease gave them control of all revenues. In 1969 the San Diego Padres were created as an expansion team and immediately began to play at that venue. John Moores purchased the team in 1994. Recognizing that the lease and revenue model was not sustainable his campaign for a new facility led to the unprecedented partnership.

Despite the fact that no team owner had ever guaranteed a specified amount of new real estate development in exchange for the public sector's willingness to invest in a new sports facility, there were numerous criticisms of the partnership. There was concern that the public



sector's investment would become a subsidy, as the anticipated real estate might never generate sufficient *new* tax dollars to make San Diego's investment prudent. Others argued the new tax revenue would only enrich the downtown development authority (created and controlled by San Diego's City Council in accordance with existing state law)<sup>14</sup> and would not produce new revenues for the city and help taxpayers. Some believed the development in the Ballpark District would merely be a substitute for what would have occurred elsewhere in San Diego and therefore would represent no new development or tax money. In effect, some argued the project was merely a substitute for economic activity that would still likely occur within the City of San Diego.<sup>15</sup>

Issues involving the fiscal outcomes and the redevelopment effects of the Ballpark District have been addressed (Chapin, 2002; Erie, Kogan, & Mackenzie, 2011; Rosentraub, 2010). This article focuses on the performance of the Ballpark District based on four other criteria: (1) the extent to which a new neighborhood was populated and sustained through the recession; (2) the creation of an economically integrated neighborhood (that was home to people from various economic groupings or income categories) in downtown San Diego; (3) the ability of the Ballpark District to attract young well-educated individuals as well as older higher income residents, and (4) the ability of the new neighborhood to protect property values during the recent severe recession. Preceding the data analysis is a brief explanation of the importance of these criteria for public policy and cities. A brief concluding section dealing with the role of sports

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<sup>14</sup> In 2012 the California legislature and the Governor agreed to terminate the existence of all downtown development authorities. This was done to insure that revenue produced by properties in the downtown areas were directed into each city's general revenue fund. Previously the incremental tax revenues had to be used to development, enhance, and maintain the revitalized downtown areas.

<sup>15</sup> The best summary of the criticisms of the partnership and its creation of revenue only for the downtown area and the corporate interests concentrated in that area is to be found in Chapin's work (2002) and the work by Erie, Kogan, & Mackenzie (2011).

facilities and urban development follows the analysis of housing and demographic changes in San Diego's Ballpark District.

### Some Goals for the Public Sector's Interest in Inner City Redevelopment

The outward migration of wealthier households to suburban cities and counties or the outlying areas of cities with a large geographic footprint creates a number of challenges. In metropolitan regions with high levels of economic segregation it is possible to have a disproportionately high concentration of lower income households in a particular city (Jargowsky, 1996). Communities with larger concentrations of lower income households can face severe problems when it comes to financing and delivering needed government services (Goetz, 2003). The concentration of lower income households creates numerous other challenges. As Goetz (2003: 3) observed, "Detroit typifies a city overcome with neighborhoods of high poverty where the middle class has fled to relatively safe and secure havens of racial and class exclusivity. The city is wracked by high property-tax rates on ever-devaluing property, generating insufficient resources to fund essential city service and the elevated level of public and social services necessary to support an impoverished populace. Its schools are underfunded and inadequate, and its streets unsafe...." As many have also observed, deterioration spreads outward from areas where property values decline (and where properties may be abandoned) resulting in the flight of residents and businesses to suburban and exurban areas (Morrill, 1992; Davis, Nelson, & Dueker, 1994).

Attracting and retaining highly educated and younger residents has become a vital economic development goal for all cities. Numerous researchers have underscored the importance of educated and younger human capital for economic development (Benabib &

Spiegel, 1994; Heckman, 2003; Garmise, 2006). Those cities that are able to attract both young and educated workers have experienced more growth, and that has led local leaders to focus on building communities that are replete with amenities and built environment that is desired by educated and younger workers. Revitalized downtown areas have been shown to be especially valuable in the effort to attract well-educated workers (Robertson, 1995; Jang, Hughes & Danielsen, 1997; Rosentraub, 2010).

San Diego similar to other central cities has a vested interest in developing its inner city communities and keeping the downtown area vital and attractive to educated workers. Some community leaders were disappointed that the area where the Ballpark District now stands suffered from stagnating levels of development and as some saw it, had substantially deteriorated. Others disagreed (Newman, 2006), but a goal for San Diego's City Council was a revitalized downtown community that while economically integrated, was also home to a highly educated and young labor force with at least 1,000 additional hotel rooms to support the convention center.

The decline and deterioration in what was the East Village was not at all similar to the dilapidated downtown areas in other cities that also built new sports facilities to advance revitalization efforts. There were fewer abandoned lots and there was a small residential population that included artists (Williams, 2004; Rosentraub, 2010). The physical character of downtown San Diego and the East Village was quite different from the abandonment and decline that was or is evident in the downtown areas of Cleveland, Detroit, Indianapolis, Los Angeles, or St. Louis. San Diego, however, was suffering from what some described as a sprawling suburbanization pattern that represented failed urban planning (Lang & Simmons, 2001; Hogan, 2003). Some suburban cities surrounding San Diego had grown by 1000 and 2000 percent in the last fifty years of the 20<sup>th</sup> century (Lang & Simmons, 2001). San Diego was focused on trying to

avoid the development patterns found in Los Angeles that had led to a sprawling environment many wanted to avoid. San Diego's leadership was focused on building thriving urban communities in and around its downtown area that were economically diverse but also seen as desirable locations for the young educated workforce trying to diversify the region's economic portfolio (Moore, 2012).

In addition to the goal of creating an attractive neighborhood, San Diego's leadership also wanted a ballpark that would help ensure that the Padres would remain in the city. They also wanted to add 1,000 new hotel rooms to their inventory in order to advance the attractiveness of the convention center, while also insisting upon sufficient new investments in real estate to generate the taxes needed to provide a satisfactory financial return on the public's investment.<sup>16</sup> What was also anticipated was a new economically integrated neighborhood that would be viable in the sense that real estate values would be protected or sustainable, and become an area that was home to young and educated workers. It was hoped that the workforce would continue to attract companies and new start-up firms to the city. Our research focuses on the demographic changes in the Ballpark District and the ability of real estate values created to endure during the severe recession.

### The Ballpark District: Demographic Change

In 2004, the census tracts that were located within the planning area designated by San Diego as the Ballpark District had 28,868 residents. In 2010 there were 44,052 residents (an

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<sup>16</sup> In noting this objective it is recognized that the money would accrue to the development authority and not the city's general fund. Without reviving the debate over the long-term benefits for San Diego, it is accurate to note that funds not added to the general revenue fund provide no fiscal return that can be used to support the services provided to residents of the entire city.

increase of 52.6 percent)<sup>17,18</sup> and there were 25,522 housing units. This population growth, while impressive, needs to be contrasted with changes elsewhere in San Diego to appreciate the magnitude of the effects. In terms of population growth only seven of 105 zip code areas in San Diego County experienced a negative growth rate. The Ballpark District’s growth rate, however, made it the third fastest growing zip code in the county. The only zip codes to experience higher rates of growth were in the City of Chula Vista (outside of the City of San Diego). The Ballpark District was the fastest growing area in the City of San Diego. The same pattern was observed with regard to new housing unit additions.

Relative to the goal of creating a new downtown neighborhood that was growing and increasing the number of people living in and near San Diego’s downtown center, the Ballpark District had met one of the City Council’s goals. Was the new neighborhood economically integrated? Using data collected by the San Diego Association of Governments (SANDAG) the make-up of the Ballpark District by income levels can be considered. Table 4 presents the percent changes from 2004 to 2010 and the rank among the 105 zip code areas in San Diego County.

Table 4. Ballpark District Zip Code Income Growth Rates 2004 to 2010

Percent Change and Countywide Rank	<i>Household Income Levels</i>									
	<i>Less than \$15,000</i>	<i>\$15,000 to \$29,999</i>	<i>\$30,000 to \$44,999</i>	<i>\$45,000 to \$59,999</i>	<i>\$60,000 to \$74,999</i>	<i>\$75,000 to \$99,999</i>	<i>\$100,000 to \$124,999</i>	<i>\$125,000 to \$150,000</i>	<i>\$150,000 to \$199,999</i>	<i>\$200,000 or more</i>
% Change	39.2	60.1	60.1	58.0	30.7	60.4	23.0	23.4	11.3	-17.1

<sup>17</sup> The data to conduct this analysis was obtained from the San Diego Association of Governments (SANDAG) that creates and maintains its own demographic, economic, land use, transportation and criminal justice information regarding the San Diego region, [www.sandag.org](http://www.sandag.org).

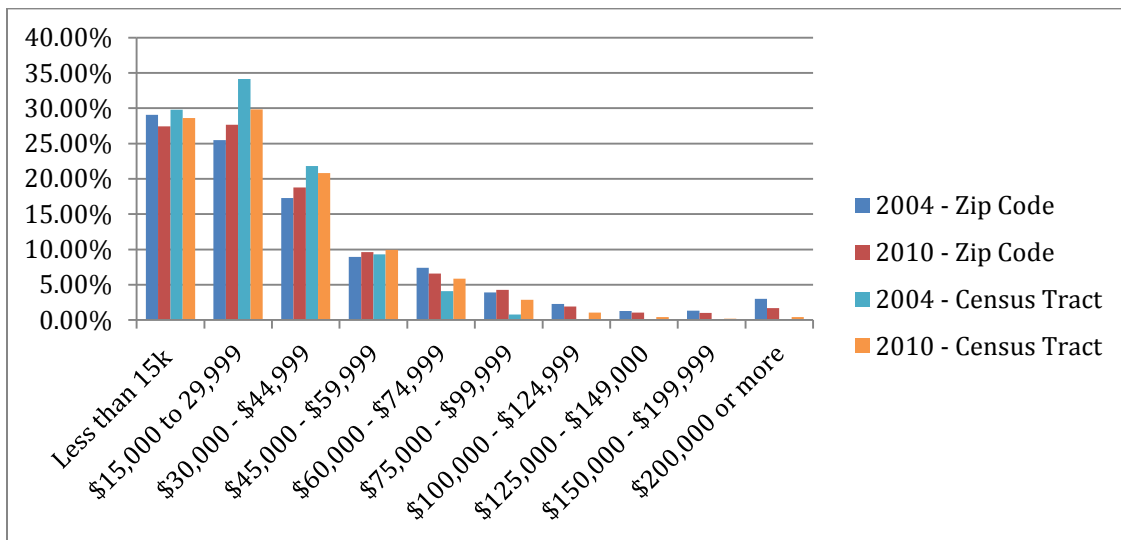
<sup>18</sup> Zip code level aggregation, instead of more precise census tract data, was chosen for comparison to other areas of San Diego because the real estate data that will be utilized later in this analysis was aggregated at the zip code level. Census tract level demographic data for the Ballpark District will be analyzed to differentiate its changes from the changes experienced at the zip code level.

Rank	4	2	1	2	7	3	11	13	28	93
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Source: San Diego Association of Governments (SANDAG)

A more refined analysis appears in Figure 5; the inclusion of census tract level data permits a micro-level analysis confined to the Ballpark District. A zip code level analysis actually includes a portion of other parts of the downtown area; the census tract level analysis focuses only on the Ballpark District. A focus at the zip code level, however, looks at the effect of the District on portions of the downtown area immediately adjacent to the Ballpark District and there are benefits for the city from the external effects of development near PETCO Park. Figure 5 looks at changes at both the zip code and census tract level.

Figure 5. Share of Income Ballpark District Tract and Zip Code 2004 & 2010

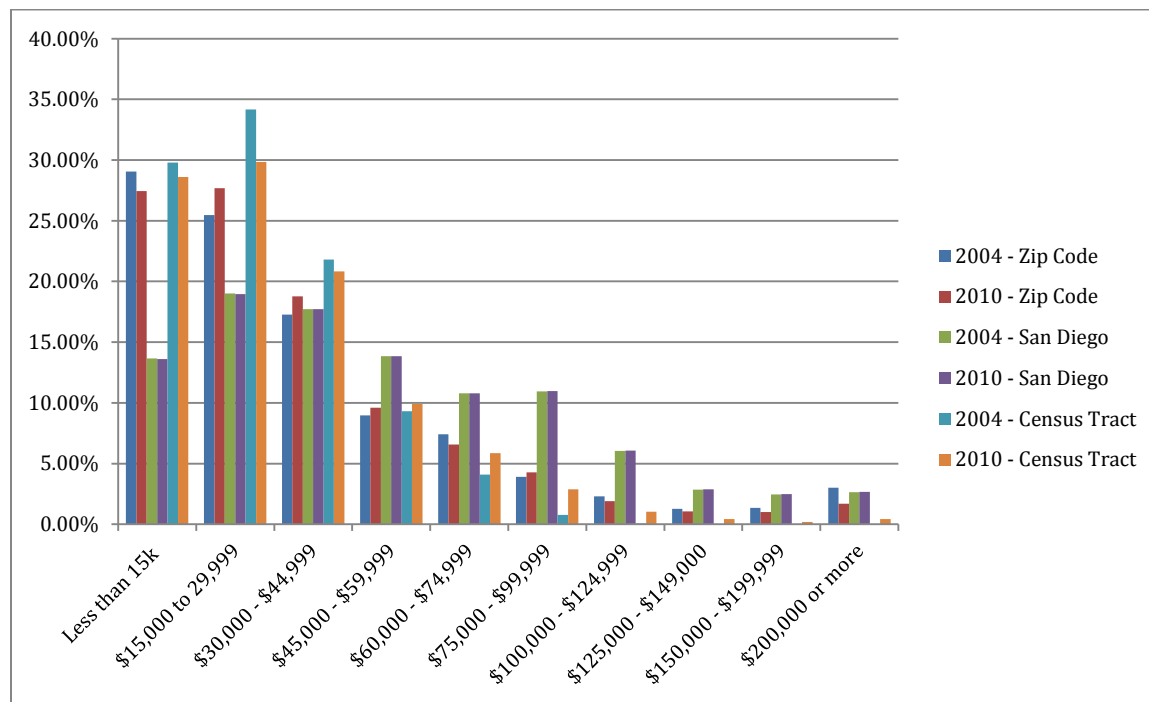


Source: San Diego Association of Governments (SANDAG)

Relative to income integration, while the Ballpark District has become the home for a larger number of households with higher incomes, it has not gentrified to the point where moderate and lower-income families are excluded. Within the Ballpark District, at the census tract level, there was a decline in the proportion of households earning less than \$45,000 dollars,

while households with higher income levels were a larger proportion of the community. This change enhances economic integration, as the community is now home to households with lower moderate and higher annual incomes. Though many have argued that the Ballpark District created housing opportunities that would lead to gentrification and the reduction of housing options for lower income families, these data suggest that fear or outcome has yet to be realized. It will be important to continue to track the changes within the Ballpark District; will it continue to be an economically integrated neighborhood as it matures? Or as its popularity and amenity options grow will the full potential and fear of gentrification be realized? Figure 6 looks at changes in the Ballpark District relative to the entire county.

Figure 6. Share of Income Ballpark District Tract, Zip Code, & County 2004 and 2010

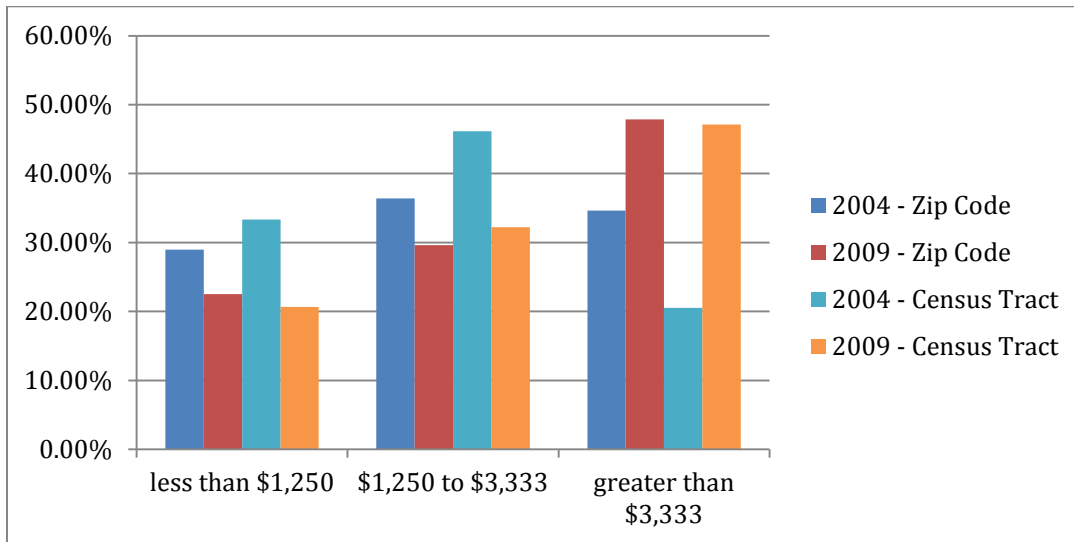


Source: San Diego Association of Governments (SANDAG)

The Ballpark District’s census tract and zip code have seen more growth in residents and new residents but still have a much greater concentration of lower income households than other

parts of San Diego County (see Figure 6). Data obtained from the U.S. Census Bureau, Center for Economic Studies “*OnTheMap*” program illustrates in a slightly different manner the changes that occurred in the Ballpark District zip code with regard to incomes. *OnTheMap* can be used to analyze the migration of workers. Data from 2010 were not yet available; therefore the analysis uses percentage of the total labor force within the Ballpark District zip code and their monthly earnings.

Figure 7. Percent Share of Labor Force by Monthly Earnings for Ballpark District Census Tract and Zip Code Level Performance, 2004 and 2009



Source: U.S. Census Bureau, OnTheMap Application and LEHD Origin-Destination Employment Statistics

The data illustrate that following the completion of PETCO Park and the further revitalization of the area surrounding the Ballpark District that households had substantially higher incomes (further evidence of economic integration). The level of aggregation of these data has some limitations, but there was a clear decline in the proportion of residents with lower income levels. The census tract has shifted from one that was predominantly lower income to one with more economic integration. With regard to the goal of creating a neighborhood that



was more economically integrated, at least through 2010, it does appear that substantial progress was achieved.

There were agreements with San Diego for the building of affordable housing by the team's owner and his real estate company. A typical goal for large-scale projects of this type in California is that 10 to 15 percent of the total number of housing units would be classified as "affordable." One assessment in 2010 found that approximately 5 percent of the housing units in the Ballpark District were classified as affordable (Rosentraub, 2010). The City Council, however, had also agreed that the developer could build some of the required affordable units elsewhere in San Diego (<http://communitybenefits.blogspot.com/2008/01/in-september-2005-broad-coalition-of.html>).

A larger commitment to affordable housing was made in the area adjacent to AT&T Park, the home of the San Francisco Giants. Approximately 24 percent of the residential units near that ballpark are classified as affordable. The Rincon-South Beach project San Francisco provides a different perspective on the magnitude a commitment to affordable housing when sport facilities are built. The sport facilities planned for this area of San Francisco, however, also include a new 18,000-seat arena in addition to a ballpark for a MLB team. An arena creates more revenue possibilities for investors (concerts, etc.), and that provides more flexibility relative to commitments for community benefits that are not tethered to profit-making activities and market conditions. San Diego's Ballpark District including only a ballpark and its profit potential is far different from the two facilities that will be part of the development in San Francisco. In addition, the San Francisco market creates more income possibilities for teams. Nevertheless, the ability of neighborhoods anchored to sport facilities to provide housing

opportunities for moderate and low-income households is underscored by what is now taking place in San Francisco (<http://www.sfredevelopment.org/index.aspx?page=62>).

Attracting and retaining individuals employed in sectors of the economy where more advanced skills and education are needed enhances the attractiveness of a region to businesses. To provide insight into the background of people moving to the Ballpark District the occupations of residents were analyzed using data from the U.S. Census Bureau's Center for Economic Studies for 2004 and 2009 (see Table 5).

There is considerable debate as to which educated workers dominate professions. Indeed given the considerable changes in the manufacturing sector, those workers also need far more advanced training than was once required. Without engaging in that extensive debate, changes in four sectors where it is clear more educated and skilled workers are required are highlighted in Table 5: professional, scientific, and technical services; management; educational services; and health care and social assistance. The proportion of residents of the Ballpark District employed in each of these sectors rose from 2004 to 2009. Changes in other sectors were undoubtedly impacted by the recession. Lower proportions of workers in the construction and retail trades were expected given the downturn in the real estate industry and discretionary incomes shrank. Contractions in the banking and finance sectors also led to fewer jobs. As a result, longer-term data will be needed to assess the changes in the regional workforce that is living in the Ballpark District. The data in Table 5 are, however, encouraging in that there were absolute and proportional increases in sectors of the economy where more highly educated workers are needed.

Table 5. Ballpark District Census Tract & San Diego Jobs by NAICS Industry Sector

NAICS Industry Sector	<i>City of San Diego</i>				<i>Ballpark District</i>				2004	2009
	<b>2004</b>		<b>2009</b>		<b>2004</b>		<b>2009</b>		Average Private Sector Weekly Wage <sup>19</sup>	Average Private Sector Weekly Wage
	Total	% Share	Total	% Share	Total	% Share	Total	% Share		
Construction	25,172	5.1	18,689	3.8	42	4.9	70	3.9	\$957	\$1,043
Manufacturing	44,749	9.0	40,533	8.2	71	8.3	110	6.1	\$1,220	\$1,299
Wholesale trade	18,725	3.8	18,532	3.7	27	3.1	67	3.7	\$1,155	\$1,162
Retail Trade	47,719	9.6	43,759	8.8	81	9.4	155	8.6	\$609	\$550
Transportation & Warehousing	10,804	2.2	10,773	2.2	19	2.2	42	2.3	\$762	\$767
Information	19,147	3.9	20,553	4.2	24	2.8	58	3.2	\$1,942	\$1,799
Finance & Insurance	24,639	5.0	20,474	4.1	49	8.2	62	3.4	\$1,441	\$1,329
Real Estate	12,131	2.4	11,335	2.3	24	2.8	46	2.6	\$861	\$847
<b><i>Professional, scientific, &amp; technical services</i></b>	<b><i>50,121</i></b>	<b><i>10.1</i></b>	<b><i>59,056</i></b>	<b><i>11.9</i></b>	<b><i>70</i></b>	<b><i>8.2</i></b>	<b><i>242</i></b>	<b><i>13.4</i></b>	<b><i>\$1,428</i></b>	<b><i>\$1,544</i></b>
<b><i>Management</i></b>	<b><i>10,163</i></b>	<b><i>2.0</i></b>	<b><i>8,990</i></b>	<b><i>1.8</i></b>	<b><i>13</i></b>	<b><i>1.5</i></b>	<b><i>30</i></b>	<b><i>1.7</i></b>	<b><i>\$1,390</i></b>	<b><i>\$1,299</i></b>
Administrative & Support, Waste Management	35,610	7.2	26,995	5.4	102	11.9	111	6.2	\$627	\$690
<b><i>Educational Services</i></b>	<b><i>49,766</i></b>	<b><i>10.0</i></b>	<b><i>59,167</i></b>	<b><i>11.9</i></b>	<b><i>57</i></b>	<b><i>6.6</i></b>	<b><i>190</i></b>	<b><i>10.5</i></b>	<b><i>\$830**</i></b>	<b><i>\$860**</i></b>
<b><i>Healthcare &amp; social assistance</i></b>	<b><i>48,906</i></b>	<b><i>9.8</i></b>	<b><i>54,641</i></b>	<b><i>11.0</i></b>	<b><i>71</i></b>	<b><i>8.3</i></b>	<b><i>183</i></b>	<b><i>10.2</i></b>	<b><i>\$866</i></b>	<b><i>\$925</i></b>
Arts, Entertainment, Recreation	11,705	2.4	12,070	2.4	19	2.2	60	3.3	\$647	\$624
Accommodation & Food Services	47,856	9.6	49,023	9.9	117	13.6	232	12.9	\$366	\$367
Other services	21,613	4.4	23,518	4.7	44	5.1	91	5.0	\$498	\$489
Public Administration	12,618	2.5	12,864	2.6	2.6	2.6	36	2.0	\$1,219	\$1,291**
Totals	496,804	100.0	495,239	100.0	858	100.0	1,802	100.0		

<sup>19</sup> Converted to 2009 dollars

\*\* Public Sector Weekly Wages were used as the majority of jobs within this industry sector were from the public sector.

The changing occupational make-up of the residential base of the Ballpark District neighborhood is one way to illustrate the success that the district had in creating a neighborhood that attracted highly educated workers. Another way to illustrate the changes within the Ballpark District is to examine the educational attainment statistics for residents tabulated by the U.S. Census Bureau. Table 6 illustrates the breakdown of residents within the Ballpark District by their educational attainment. The starkest change in the residential make-up is clearly seen in the proportion of residents who have attained degrees above the Bachelor’s level. In 2000, less than 1 percent of individuals living in the census tract had obtained a Master’s degree or higher; based on 2006-2010 ACS estimates that figure has risen to over 6 percent of the residential base.

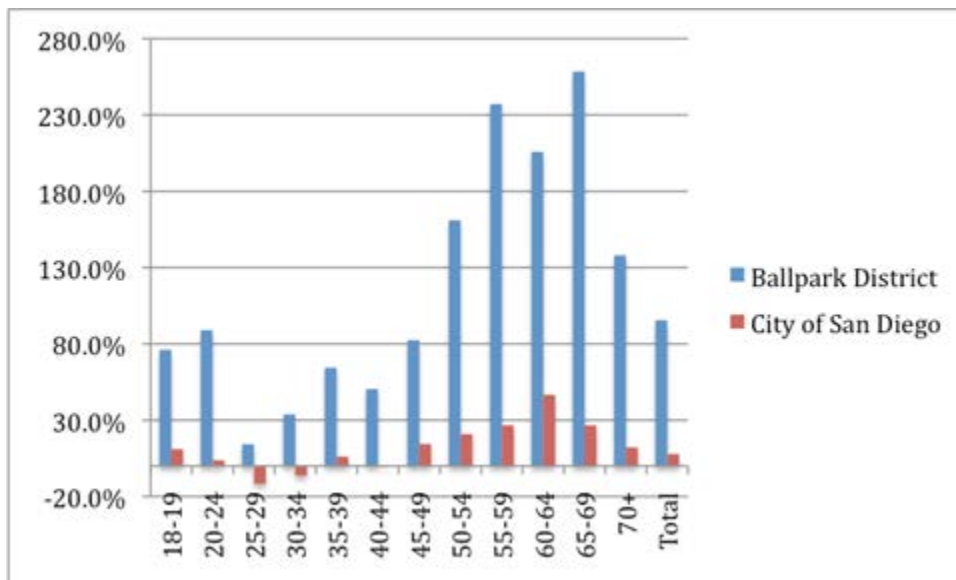
Table 6. Ballpark District Educational Attainment for Population Over 25 (in percent)

Educational Attainment For Population 25 Years and Over (in percent)	<b>Ballpark District Census Tract</b>	
	<i>2000 Census</i>	<i>2006-2010 ACS (5- year estimates)</i>
Less Than High School	31.5	16.2
High School Graduate (includes equivalency)	36.2	16.2
Some College	26.1	36.6
Bachelor’s Degree	5.6	24.8
Master’s Degree	0.6	4.5
Professional school degree	0.0	1.1
Doctoral Degree	0.0	0.6

Source: ACS 2006 to 2010 (5-Year Estimates), Census 2000, U.S. Census Bureau

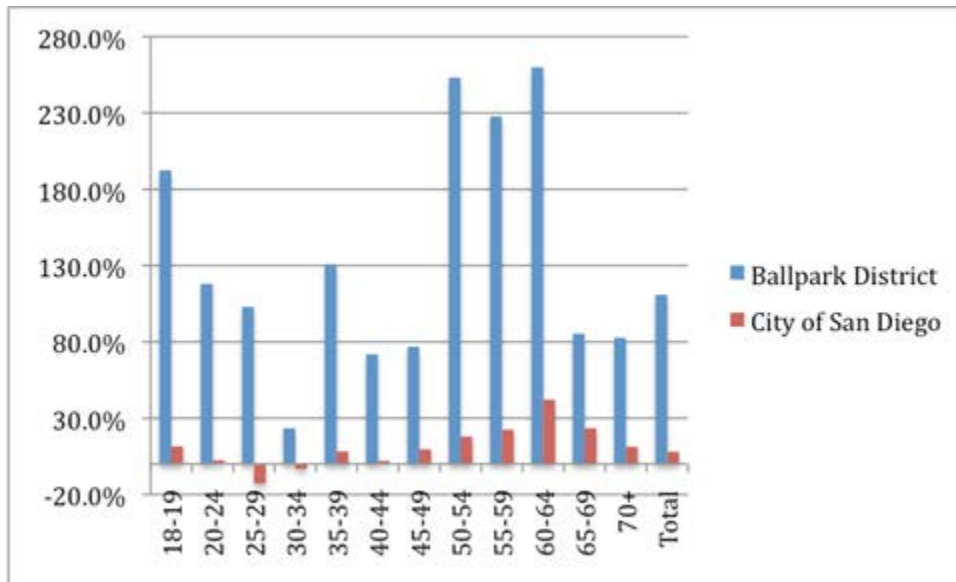
A related goal for the Ballpark District was to attract households that did not place substantial demands on San Diego for the services financed with local tax dollars. Older residents typically do not have children that add to costs for school district and coupled with their higher income levels, this population might also have lower demands for police services. Figures 8 and 9 illustrate the percent change for population within different age groups for males and females between the years of 2004 and 2010 for both the Ballpark District and the City of San Diego. Both areas experienced growth in older individuals meaning anticipating expenditures for local government services will likely decline. There was an interesting difference in the growth of residents in the Ballpark District by gender. As depicted in Figure 4 the largest percentage increase for males was clearly related to age. With regard to women, however, there were increments in younger residents. Notice that while San Diego saw decreases of certain age groups, there was growth in younger and older age groups. This is further evidence of the creation of a demographically diverse neighborhood (see Figures 8 and 9).

Figure 8. Ballpark District and City of San Diego Male Population Growth 2004 to 2010



Source: San Diego Association of Governments (SANDAG)

Figure 9. Ballpark District and City of San Diego Female Population Growth 2004 to 2010



Source: San Diego Association of Governments (SANDAG)

#### Ballpark District: Real Estate Values

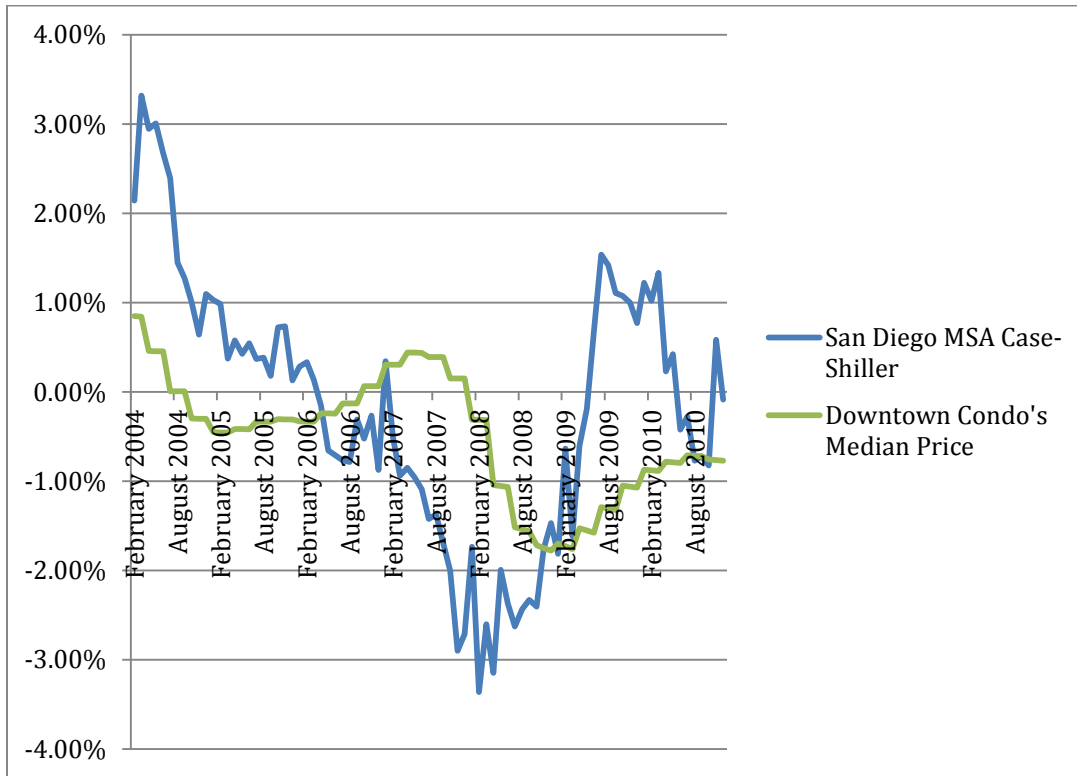
The severe recession provides an opportunity to understand if the new neighborhood led to more stable property values. As noted, the number of housing units in the area increased by more than 120 percent in a relatively brief period. Almost all of these housing units were condominiums, townhouses, or other types of multi-family structures. In 2004, 6.5 percent of all multi-family housing units were vacant; that figure increased to 8.5 percent in 2010 indicating that demand for housing was still relatively robust. The real test of property values, however, is the extent to which property in the Ballpark District performed better (or worse) than home prices in other parts of San Diego County. The scope of our analysis focused on property value changes between 2006 and 2010. By 2006, a sufficient number of the proposed housing units had been built and sold (in the years after PETCO Park’s opening in 2004). Sales price data were obtained from *Collateral Analytics* for 81 zip codes within San Diego County. The downtown zip code placed 15<sup>th</sup> out of the 81 zip codes in median condominium value changes

from 2006 to 2010; properties in the downtown area lost 25 percent of their value. Only one zip code in San Diego was stable and enjoyed a very slight (less than one half of one percent) increase in value. Thirteen of the best 15 performing zip code areas were in Central San Diego (city) or along the northern coastal areas. The desirability of downtown neighborhoods is clearly underscored, of which the Ballpark District is just one. It must be acknowledged that the direction of any effects must become a concern for future studies. It could be that the Ballpark District benefitted from a demand for downtown housing; it is also true that the success of the Ballpark District contributed to the demand for downtown housing options.

How did the performance of condominium real estate in downtown, and the Ballpark District, compare to other types of residential real estate in San Diego? Using data from Collateral Analytics and the Case-Shiller House-Price Index for the San Diego metropolitan area, monthly percent changes were calculated (see Figure 10).

Real estate values in the Ballpark District were not nearly as volatile as those for residential properties throughout San Diego County. Price changes throughout the San Diego metropolitan area have been relatively stable with prices changing within a band that was only 6 percent wide. With the Ballpark District the band of changes has been approximately 3 percent. While these changes are less than those noticed for the region, the differences were relatively modest. What the pattern does illustrate is real estate prices in the new neighborhood, despite having a concentration of multi-family homes (condominiums and townhouses) were stable.

Figure 10. Real Estate Performance: Month to Month Percent Changes, 2006 to 2010



### Concluding Observations

When San Diego’s voters were asked to approve the public sector’s investment in a new ballpark for the Padres a central issue was the investment by the team’s owner in the East Village to create the Ballpark District. For most people the key issue was John Moores’ commitment of an investment of \$487 million in new real estate development. This created an impression that the public sector’s investment would be less than that made by the team and its owner. Several civic leaders were interested in the partnership because 1,000 new hotel rooms would be built near San Diego’s convention center making it even more appealing to meeting planners. There was fear the Ballpark District would lead to gentrification and the exclusion of housing



opportunities for households with lower incomes. Some feared the production of a new homogenous or exclusive area.

In total \$2.87 billion of new real estate development took place through 2010 (excluding the funds invested in the ballpark). If there was a concern that the neighborhood would gentrify and offer few or very limited residential opportunities for households with moderate incomes, the most recent data suggest that fear was misplaced. The neighborhood remains economically integrated and the increase in the number of higher income households has made the area far more balanced than it was before the investment of more than \$2 billion by John Moores' real estate firm and those other investors attracted to the area. The age demographics in the area are also well integrated as the Ballpark District has attracted older and younger residents. The large increments in residents who are at least 50 years of age suggest this population group is being attracted to living in downtown San Diego.

There has also been an increase in the proportion of individuals who are employed in sectors where it is expected that people have higher levels of education. Attracting and retaining educated workers in downtown areas is a desirable goal for long-term economic development. The Ballpark District seems to have attracted the individuals that are sought by most cities to advance their attractiveness to businesses seeking locations where there is an educated workforce.

The severe recession was a particular concern for any neighborhood where there were large numbers of new residences built in a relatively brief period of time. In areas that are less well established there is the possibility that housing prices would escalate sharply during the boom phase, and then collapse as soon as a "bust" settled into the region. Data through 2010

suggest prices in the Ballpark District have remained relatively stable especially when compared with volatility throughout San Diego County and across the southwest.

Neighborhood advocates and those who were critics of public/private partnerships that were normally biased towards team owners were right to be concerned that the financing plans and program for a new ballpark and neighborhood in San Diego would lead to undesirable outcomes. Through 2010 there would appear to be particular reasons to classify the partnership between San Diego and the Padres as one that produced some important successes. Not only was the ballpark built, but a neighborhood was also created that appears on several different dimensions to be stable and a vital part of life in urban center of San Diego. The Ballpark District is not an enclave home only to the region's most affluent residents. The community at this time appears to be economically and socially integrated, and prices are stable having survived the worst of the recession with price changes that were less volatile than those in other parts of the county. While the success of any public/private partnership depends on the parameters used to evaluate it, looking at economic integration, the stability of home prices, and the attraction of educated people to a city's center, the Ballpark District should be considered a success.

Finally, future studies must disentangle the relationship between the areas adjacent to downtown sport facilities and the success of nearby downtown areas. There may be reciprocal or conjoint relationships that influence outcomes. The research reported here does not address that complex relationship, but points to its value for future studies.

The Ballpark District in San Diego was able to accomplish many of the outlined goals by the city's leadership. The deal struck between the public sector and John Moores enabled the

development to occur in a manner that ensured the city would see a desired upon returned on investment in both fiscal outcomes and neighborhood and demographic changes. The idea that real estate development linked to sports venues leads to unacceptable levels of gentrification is not sustained by the evidence from the changes that occurred in the years following the completion of PETCO Park and the Ballpark District, the largest sports anchored mixed-use real estate development project to date. The careful planning and design of the project, with strict stipulations on the type, and amount, of housing units that were to either be preserved or built within the Ballpark District ensured that the desired levels of economic integration within the neighborhood followed. In the negotiations with developers public sectors officials have the ability to stipulate desired housing outcomes either through the zoning and land use approval process or within the contractual agreements in the designation of a developer as a “master developer” for the project. These stipulations should be done prior to any provision of funds for the project to ensure desired outcomes. In addition, it would be wise for public sector agents to negotiate both milestone damages and penalties that are punitive and harmful enough to guarantee compliance from the developer, while still allowing the project to receive the necessary returns to stimulate the private investment. Toeing this line can be difficult, but may be easier to achieve in sports facility anchored projects as the public sector routinely provides investments and approvals that are necessary for the project to move forward which provides extra layers of tools which can be utilized in the negotiation process.

## Chapter 4 – Managing Matters: Special Districts and Repositioning of Regional Economic Activity through Sports

### Introduction

Connecting extensive real estate development to an urban revitalization strategy and an investment from the public sector requires a flexible and organizational structure. Real estate developments of this nature require a commitment to 5 and 10-year build-outs (if not more). As a result an administrative structure that can span several local government election cycles and deal with complex financial arrangements is necessary.

As noted in the Introduction to this dissertation, there is an extensive literature documenting the modest contribution of professional sports franchises and the facilities used by teams to regional for economic development. As briefly discussed, numerous studies have provided convincing evidence that teams and facilities create few jobs for a region's residents and have not changed regional growth. Simply put, sports and facilities alone are not adequate drivers of local economic development (Coates and Humphreys, 2008). There is some disagreement and confusion within the literature regarding the impacts of facilities on economic development related to the definition of the term *local*. A majority of the research conducted examining the impacts of sports franchises and their facilities have on economic development focuses on regional or metropolitan level effects (Baade & Dye 1988, 1990; Baade, 1996; Coates & Humphreys, 1999, 2001,2002; Rosentraub, 1997). For these scholars there is a degree of symmetry in the use of the word local to mean regional or metropolitan. More recent research,

however, has focused on the impact of sports facilities, and in some instance their combined redevelopment efforts, at a more granular or ‘neighborhood’ level (Coates and Humphries, 2006; Tu, 2005; Cantor and Rosentraub, 2012). For these scholars local means neighborhood, community, or in some instances a single city within a region characterized by fragmented forms of local governments and taxing jurisdictions. These studies do not attempt to argue that venues have regional economic impacts, but instead attempt to understand how projects have impacted economic development and change the flow of economic activity *within* regions and within cities.

In effect this other stream of research based on the ideas of numerous urban economists looks at the effects of sports venues and linked real estate development on the *distribution* of regional activity. The work of Austrian and Rosentraub (2002) began to discuss the redistributional effects that arise from stadium (including arenas and ballparks) developments, and the associated public policy implications. Those ideas built upon work published earlier by Rosentraub in Noll and Zimbalist’s collection, *Sports, Taxes, and Jobs* (1997b). Rosentraub’s (2012) work outlining the redevelopment potential that exists from private/public partnerships for cities in creating master planned developments anchored by sports facilities isolated a potentially valuable policy tool for shifting regional economic activity and neighborhood change that many municipalities have been eager to harness.

For more than 50 years public officials and various governmental levels (national, state, provincial, local), philanthropic organizations, and community leaders have focused on strategies to revitalize struggling central cities and/or deteriorating downtown areas. These efforts are in response to social and economic changes that have redefined land use within metropolitan areas and have a micro- as opposed to a regional focus in assessing changes. The deterioration of central cities, and the accompanying loss of financial strength and economic segregation, has

made it increasingly difficult for these governments to provide the needed public services for residents. Declining service levels make cities less attractive places to live. Needed policies must shift or re-align the demand for residential, commercial, and retail space from a focus on suburban locations to one that makes central cities desirable places to live and work. Judging by the redevelopment efforts currently being planned in many major cities across the United States and Canada many elected officials and policy makers believe or have found that sports facilities anchored by or to large-scale mixed-use real estate projects can bias demand for residential and commercial space towards downtown areas and away from suburban locations.

To effectively develop and plan for the building and integration of sports facilities into redevelopment strategies numerous state and local governments have turned to the creation of quasi-governmental agencies to navigate the complicated and intricate process of implementing redevelopment strategies. These agencies frequently lead negotiations with team owners and the private sector actors involved with real estate activities adjacent to or adjoining the sports facility. As the lead public sector decision maker in the development strategy it is these authorities that oversee the areas that are frequently designated as the ballpark district, the arena district, or in some instances, the downtown development authority.

The scope and scale of these organizations vary tremendously based upon their intended purpose of creation. As noted, some of the created authorities have responsibility for a small portion of a city or of its downtown area. In other instances the span of authority can encompass a large section of a downtown area, the entire downtown area, or a substantial portion of a community. A detailed study of these authorities or administrative structures is needed given the on-going interest in using sports venues anchoring mixed-use developments for urban

revitalization. If these sort of public/private partnerships are to continue, a body of research is needed explaining the effects and value of different organizational relationships.

In New York City, for example, the New York City Economic Development Corporation is the City’s primary agent for economic development. The span of its authority is not spatially contained to newly created or designated districts. Instead, it was created to facilitate development across the city’s corporate boundaries (five boroughs). In the context of New York City the Corporation is not territorially fixed to any part of the city. Organized as a non-profit organization its mandate is to promote and encourage investment, and attract, retain and create jobs (NYCEDC, 2013). In the development of both Yankee Stadium and Citi Field, NYCEDC provided financial assistance under the authority of the New York City Industrial Development Agency (NYCIDA). This assistance came in the form of tax-exempt bond financing, property tax reductions, deferral of mortgage recording taxes, and the exemption of sales and use taxes on construction and equipping costs. The franchises received assistance under NYCEDC’s Commercial Growth Program. Benefits conveyed under this program are based on project-by-project negotiated agreements, and requires a level of commitment in terms of jobs, business location operations in return. In addition, the parameters of every development are quite different. With regards to Citi Field it was envisioned as an anchor for the substantial redevelopment of the adjacent dilapidated industrial area known as Willets Point and the land where the former Shea Stadium (that it replaced) was located. In contrast, very little real estate development was part of the robust development plans for the Bronx.

Table 7. NYCEDC Commercial Growth Program

Company Name	Amount	2014 Dollars	Closing Date
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Alcoa, Inc.	\$18,200,000	\$24,923,399	2000
Avon Products, Inc.	\$115,000,000	\$172,873,900	1996
Bank of America, N.A.	\$622,000,000	\$776,388,757	2004
BlackRock Financial Management, Inc.	\$320,000,000	\$426,064,370	2001
Board of Trade of the City of New York	\$53,200,000	\$72,853,011	2000
Brown Brothers Harriman & Co.	\$61,500,000	\$80,623,228	2002
CBS, Inc.	\$401,322,000	\$654,981,503	1993
Credit Suisse First Boston Corp.	\$1,700,000,000	\$2,630,660,192	1995
Digitas LLC	\$41,200,000	\$56,420,001	2000
DoubleClick, Inc.	\$48,000,000	\$65,732,040	2000
Ernst & Young US LLP	\$159,900,000	\$199,589,328	2004
Federated Department Stores, Inc.	\$54,900,000	\$73,096,669	2001
Hearst Corporation	\$779,600,000	\$999,074,348	2003
Home Box Office	\$99,000,000	\$131,813,665	2001
JetBlue Airways Corporation #2 (2010)	\$52,800,000	\$57,085,007	2010
Kenneth Cole Productions, Inc.	\$14,900,000	\$19,838,622	2001
Legacy Yards LLC	\$1,386,000,000	\$1,402,655,794	2013
Metropolitan Life Insurance Company	\$272,671,000	\$357,457,174	2002
NASDAQ Stock Market	\$20,766,666	\$25,921,232	2004
National Association of Securities Dealers	\$20,766,666	\$25,921,232	2004
National Broadcasting Company (NBC)	\$1,500,300,000	\$2,990,959,926	1988
New York Post	\$168,915,000	\$221,438,578	2002



New York Times Company	\$538,416,000	\$716,874,606	2001
Queens Ballpark Company, LLC.	\$896,932,088	\$1,049,350,466	2006
Royalton Realty Associates, LLC.	\$3,128,000	\$4,008,600	2003
Sirius Satellite Radio	\$41,335,000	\$58,511,184	1999
Thomson Reuters (Markets) LLC	\$512,000,000	\$740,626,955	1998
UBS Pain Webber, Inc.	\$225,405,000	\$331,093,870	1997
Yankee Stadium LLC	\$1,633,968,000	\$1,911,633,115	2006
Totals	\$11,762,125,420	\$16,278,470,771	

The vast majority of incentives received by the Yankees (Yankee Stadium LLC) and the Mets (Queens Ballpark Company, LLC.) were in the form of tax-exempt financing. While the owners of the Yankees and Mets likely benefitted from lower interest rates as a result of the authority's participation in the financing of both ballparks, the private sector (the teams' owners) alone are responsible for repaying the obligations. The public sector is not liable for repayment of the bonds. From a structural standpoint organizations like NYCEDC and NYCIDA are important to local governmental units because of their ability to facilitate the financing of projects without having to pledge governmental guarantees. In effect the City of New York is not liable for any of the construction or maintenance costs of either ballpark. The importance of the ability for these organizations to provide for such financing will be further examined in the discussion of the redevelopment project proposed for Downtown Detroit.

The building of dozens of sports facilities across the continent since the late 1980s, and proposals for a new facility in Detroit and the renovation of others, has led to the creation of numerous new public authorities. There is little if any research into the effects of these public authorities on cities. There is too little appreciation of the factors that necessitates the creation of

these authorities. There is no real clear depiction of the span of authority for different administrative forms and the spatial dimensions over which their authority can be exercised. This chapter is designed to reduce the scale of this void in the academic literature to better inform public officials, community leaders, and scholars.

The means to this goal involves first, a clear explanation of the need for a public authority to deal with the building of a sports facility, the related real estate development, and the role of the facility and the related real estate development in a revitalization strategy. Second, a schematic representation of the range of choices for the public sector in the assignment of responsibilities to a newly created authority for a sports facility and related real estate development is presented to provide a framework to understand the available options. Third, a detailed focus on the authorities created in Indianapolis and Cleveland/Cuyahoga County allows the exploration of the underlying social and economic forces in each region that prompted these central cities to (1) select sports to anchor their redevelopment strategies and then (2) create an authority to oversee the building and maintenance of the venues and ensure their fit with the larger set of revitalization efforts. The local issues and forces – as will be demonstrated – assumed a substantial role in the structure and function of the quasi-governmental agencies that were tasked with leading the redevelopment strategy. Those forces that dictated what was needed from and for the created authorities and the effects of the authority on the central city and the region will be discussed in the last section of the chapter. In each instance varying levels of intergovernmental cooperation was needed to both finance and manage the development and this required participation by county governments and in one instance the state. A discussion will also be had about how the interplay between these forces ultimately impacts the bargaining strategy utilized by the public sector in their negotiations with franchises.

## Why Are Special Authorities Needed?

The fragmentation of metropolitan areas has necessitated intergovernmental cooperation to both finance and facilitate redevelopment strategies for central cities. Even in regions – Los Angeles, New York, and San Diego, for example – where the large central city was able to assume complete financial responsibility for the building of a sports venues and the related real estate without participation of other local governments – special districts or authorities were integral to the building of sports venues and the related real estate. Indianapolis of course did their development of sports venues as an effort of a consolidated city/county government, but special authorities or districts were still needed to finance the sports and downtown revitalization strategy. The reliance or utilization of authorities even when a single city was involved in the building of sports venues and related real estate underscores the need for in-depth research on the design, use, and implementation on authorities and special districts for sports venues. Public authorities are also instruments from which state governments have been able to circumvent constitutional debt limits (Bunch, 1991). Just as public administration research has looked at the role of authorities in building transit systems, airports, ports, and other elements of infrastructure, now that sports venues have become part of the infrastructure for urban revitalization, a greater understanding of authorities and districts in sustaining those assets is also required.

Before answering the vital question – Why are authorities needed as agents of governments and to achieve the goals established by cities and counties? – it is necessary to return to the issue of why even focus on sports to assist in a revitalization strategy. The answer lies in two observations. First the fragmentation of local governments in metropolitan areas has permitted (or encouraged) high levels of economic segregation. The resulting concentration of lower income households typically in central cities requires those core areas to find unique assets

(that cannot also locate in suburban cities) to change regional economic flows. Second, the cartel structure of sports and its popularity essentially ensures that second teams will not exist in a metropolitan market. As a result, if a central city secures a team's location that amenity will not exist elsewhere in the region. That establishes a base from which real estate development can be pursued and economic activity can be deflected into a central city shifting regional economic patterns.

From an academic perspective the modern paradigm encouraging fragmented or numerous local governments in regions were put forward by Charles Tiebout (1956) and the subsequent classic article by Vincent Ostrom, Charles Tiebout, and Robert Warren (1961). These two works contributed to the development of what was labeled public choice theory that argued that greater efficiencies for taxpayers resulted from a having governments compete with each other to the chosen locations of citizens (their residents) and businesses. Within the public choice paradigm, however, insufficient attention was directed towards the possible self-interest behavior of higher income households to insulate themselves from redistributive tax systems to support service demands of lower income households. Instead, public choice theory focused on the anticipated benefits for individuals or businesses wanting more services that would likely be accompanied by higher taxes and those preferring fewer public service and lower tax payments. Left unaccounted for was the possibility that higher income households would segregate themselves into communities that would have higher taxes but restrict service availability to the high-income residents (turning taxes into user fees). As a result the anticipated levels of competition never emerged and by the end of the 20<sup>th</sup> century there were large disparities in residential median income levels between suburban and central city households.

Simply put, not imagined in these pioneering works was the possibility that social preferences would include exclusionary zoning related to racial or economic segregation. The decades after the publication of these two classic articles that framed the discussions of structures of local government for thousands of students and public administrators (and political scientists and economists) were characterized not by competition for taxpayers but exclusionary zoning and other practices that resulted in high levels of racial and economic segregation. As detailed in Table 8 by 2010 there was substantial differences in the median incomes of residents of central cities and their surrounding counties.

Table 8. 2010 Share of Poverty and Median Household Income selected MSA's

<b>Atlanta - Sandy Springs - Roswell, GA Metropolitan Statistical Area</b>			
Place	Poverty Estimate All Ages	Median Household Income	Share of Central MSA Poverty
<b>Atlanta</b>	<b>93,352</b>	<b>\$44,771</b>	13.6%
<i>Cherokee County</i>	18,346	\$63,520	2.7%
<i>Clayton County</i>	57,649	\$36,595	8.4%
<i>Cobb County</i>	95,398	\$59,471	13.9%
<i>Coweta County</i>	14,026	\$56,407	2.0%
<i>DeKalb County*</i>	131,946	\$47,068	19.2%
<i>Douglas County</i>	16,581	\$52,887	2.4%
<i>Fayette County</i>	7,145	\$79,276	1.0%
<i>Forsyth County</i>	12,606	\$81,629	1.8%
<i>Fulton County*</i>	159,048	\$53,580	23.1%
<i>Gwinnett County</i>	108,754	\$57,848	15.8%
<i>Newton County</i>	14,785	\$48,989	2.2%
<i>Paulding County</i>	12,468	\$61,496	1.8%
<i>Rockdale County</i>	12,527	\$53,899	1.8%
<i>Spalding County</i>	14,122	\$38,451	2.1%
<i>Walton County</i>	12,013	\$51,913	1.7%
Barrow County	8,339	\$52,391	
Bartow County	14,369	\$43,825	
Butts County	3,506	\$43,777	
Carroll County	20,312	\$45,242	
Dawson County	3,044	\$51,127	
Haralson County	5,868	\$39,046	
Heard County	2,488	\$39,614	
Henry County	20,839	\$59,371	
Jasper County	2,609	\$43,443	
Lamar County	3,011	\$40,001	
Meriwether County	4,324	\$35,287	
Morgan County	2,916	\$45,804	
Pickens County	3,939	\$48,532	

Pike County	2,222	\$52,411	
Georgia	1,698,004	\$46,252	
<b>Baltimore - Columbia - Towson, MD Metropolitan Statistical Area</b>			
Place	Poverty Estimate All Ages	Median Household Income	Share of Central MSA Poverty
<b>Baltimore</b>	<b>135,688</b>	<b>\$39,113</b>	53.7%
<i>Anne Arundel County</i>	34,484	\$80,908	13.6%
<i>Baltimore County</i>	64,494	\$62,300	25.5%
<i>Howard County</i>	14,766	\$100,992	5.8%
<i>Queen Anne's County</i>	3,469	\$78,503	1.4%
<i>Carroll County</i>	8,873	\$80,291	
<i>Harford County</i>	16,715	\$71,848	
Maryland	559,937	\$68,933	
<b>Cleveland - Elyria, OH Metropolitan Statistical Area</b>			
Place	Poverty Estimate All Ages	Median Household Income	Share of Central MSA Poverty
<b>Cleveland</b>	<b>131,829</b>	<b>\$26,137</b>	57.9%
<i>Cuyahoga County*</i>	227,716	\$41,407	42.1%
<i>Geauga County</i>	7,207	\$63,172	
<i>Lake County</i>	21,826	\$52,854	
<i>Medina County</i>	12,951	\$63,582	
<i>Lorain County</i>	41,612	\$50,092	
Ohio	1,771,404	\$45,151	
<b>Columbus, OH Metropolitan Statistical Area</b>			
Place	Poverty Estimate All Ages	Median Household Income	Share of Central MSA Poverty
<b>Columbus</b>	<b>168,405</b>	<b>\$42,368</b>	70.2%
<i>Delaware County*</i>	10,037	\$85,628	4.2%
<i>Fairfield County*</i>	16,062	\$55,805	6.7%
<i>Franklin County*</i>	213,899	\$47,621	89.1%
Hocking County	4,635	\$40,017	
Licking County	20,190	\$51,247	
Madison County	5,726	\$48,295	
Morrow County	4,709	\$47,080	
Perry County	6,813	\$39,387	
Pickaway County	6,508	\$49,926	
Union County	4,064	\$63,233	
Ohio	1,771,404	\$45,151	
<b>Dallas - Fort Worth - Arlington, TX Metropolitan Statistical Area</b>			
Place	Poverty Estimate All Ages	Median Household Income	Share of Central MSA Poverty
<b>Dallas</b>	<b>271,575</b>	<b>\$41,011</b>	51.4%
<i>Collin County*</i>	60,337	\$77,862	11.4%
<i>Dallas County*</i>	446,466	\$46,909	84.4%
<i>Ellis County*</i>	17,062	\$57,929	3.2%
<i>Rockwall County*</i>	4,967	\$81,113	0.9%
Denton County	53,457	\$68,671	
Hunt County	16,876	\$41,841	
Kaufman County*	12,215	\$56,899	
Hood County	6,014	\$52,633	
Parker County	13,712	\$57,092	
Wise County	7,223	\$52,117	
Tarrant County	258,595	\$52,482	
Somervell County	891	\$49,582	
Johnson County	18,917	\$52,360	

Texas	4,411,273	\$48,622	
<b>Detroit - Warren - Dearborn, MI Metropolitan Statistical Area</b>			
Place	Poverty Estimate All Ages	Median Household Income	Share of Central MSA Poverty
<b>Detroit</b>	<b>259,916</b>	<b>\$27,050</b>	60.5%
<i>Wayne County*</i>	429,408	\$39,421	39.5%
Lapeer County	11,036	\$49,759	
Livingston County	12,919	\$65,729	
Macomb County	105,439	\$49,348	
Oakland County	122,932	\$60,392	
St. Clair County	24,699	\$44,706	
Michigan	1,614,110	\$45,354	
<b>Denver - Aurora - Lakewood, CO Metropolitan Statistical Area</b>			
Place	Poverty Estimate All Ages	Median Household Income	Share of Central MSA Poverty
<b>Denver</b>	<b>114,305</b>	<b>\$45,526</b>	37.1%
<i>Adams County</i>	57,201	\$52,785	18.6%
<i>Arapahoe County</i>	65,173	\$58,152	21.2%
<i>Broomfield County</i>	3,323	\$76,006	1.1%
<i>Denver County*</i>	125,722	\$45,415	3.7%
<i>Douglas County</i>	9,985	\$97,806	3.2%
<i>Jefferson County</i>	46,566	\$64,181	15.1%
Clear Creek County	774	\$64,822	
Elbert County	1,490	\$78,550	
Gilpin County	406	\$63,024	
Park County	1,501	\$66,400	
Denver	114,305	\$45,526	
<b>Indianapolis - Carmel - Anderson, IN Metropolitan Statistical Area</b>			
Place	Poverty Estimate All Ages	Median Household Income	Share of Central MSA Poverty
<b>Indianapolis</b>	<b>153,933</b>	<b>\$41,170</b>	70.1%
<i>Boone County</i>	4,516	\$66,023	2.1%
<i>Hamilton County</i>	13,564	\$82,054	6.2%
<i>Hancock County</i>	5,882	\$62,195	2.7%
<i>Hendricks County</i>	9,031	\$66,080	4.1%
<i>Marion County*</i>	184,537	\$39,393	13.9%
Brown County	1,985	\$46,770	
Johnson County	14,367	\$58,695	
Madison County	22,567	\$39,449	
Morgan County	8,092	\$53,738	
Putnam County	4,504	\$44,437	
Shelby County	5,572	\$46,619	
Indiana	960,402	\$44,616	
<b>Louisville / Jefferson, KY - IN Metropolitan Statistical Area</b>			
Place	Poverty Estimate All Ages	Median Household Income	Share of Central MSA Poverty
<b>Louisville</b>	<b>103,313</b>	<b>\$42,174</b>	64.3%
<i>Bullitt County, KY</i>	7,771	\$51,409	4.8%
<i>Clark County, IN</i>	13,632	\$44,775	8.5%
<i>Floyd County, IN</i>	9,092	\$49,117	5.7%
<i>Jefferson County, KY*</i>	125,861	\$42,535	14.0%
<i>Oldham County, KY</i>	4,294	\$75,724	2.7%
Harrison County, IN	4,257	\$48,775	
Henry County, KY	2,605	\$40,806	
Scott County, IN	4,457	\$39,134	

Shelby County, KY	4,952	\$51,845	
Spencer County, KY	1,522	\$62,579	
Trimble County, KY	1,306	\$44,533	
Washington County, IN	4,434	\$39,945	
Kentucky	796,208	\$40,089	
Indiana	960,402	\$44,616	
<b>Miami - Fort Lauderdale - West Palm Beach, FL Metropolitan Statistical Area</b>			
Place	Poverty Estimate All Ages	Median Household Income	Share of Central MSA Poverty
<b>Miami</b>	<b>110,973</b>	<b>\$28,506</b>	22.2%
<i>Miami-Dade County*</i>	<i>500,537</i>	<i>\$40,145</i>	77.8%
Broward County	256,295	\$47,917	
Palm Beach County	186,355	\$49,891	
Florida	3,048,621	\$44,390	
<b>St. Louis, MO- IL Metropolitan Statistical Area</b>			
Place	Poverty Estimate All Ages	Median Household Income	Share of Central MSA Poverty
<b>St. Louis</b>	<b>81,674</b>	<b>\$33,657</b>	35.1%
<i>Jefferson County</i>	<i>26,180</i>	<i>\$52,841</i>	11.2%
<i>Madison County</i>	<i>38,068</i>	<i>\$51,706</i>	16.4%
<i>Monroe County</i>	<i>1,588</i>	<i>\$69,731</i>	0.7%
<i>St. Charles County</i>	<i>21,735</i>	<i>\$65,281</i>	9.3%
<i>St. Clair County</i>	<i>42,224</i>	<i>\$47,027</i>	18.1%
<i>St. Louis County*</i>	<i>102,972</i>	<i>\$55,290</i>	9.1%
Bond County	2,145	\$46,364	
Calhoun County	548	\$45,772	
Clinton County	3,016	\$52,650	
Crawford County	4,669	\$34,555	
Franklin County	14,097	\$47,530	
Jersey County	2,204	\$54,278	
Lincoln County	5,834	\$50,307	
Macoupin County	6075	\$45,995	
Warren County	4,089	\$49,157	
Illinois	1,732,129	\$52,967	
Missouri	888,471	\$44,306	

Source: 2008 – 2010 ACS U.S. Census Bureau; U.S. Census Bureau, Small Area Estimates Branch

When these income differentials were complemented by the loss of jobs (and therefore declining levels and value of commercial and industrial property) numerous central cities had far less revenue to produce the services residents and businesses needed. A vicious cycle was created where increasing levels of economic segregation made suburban areas more attractive to those living in central cities with incomes that would make it possible to purchase homes in communities with fewer lower income people. As more people left central cities local tax



revenues declined and made it less and less possible to compete for residents and businesses. In effect Tiebout's model once implemented did lead to people voting with their feet, but they were not voting for the efficiencies Ostrom, Tiebout, and Warren hoped would result. Instead taxpayers voted for economic segregation and that substantially weakened the financial affairs of numerous central cities. It is true that every region or city is going to have areas of wealth and those of poverty. What has been occurring over the past 40 years, and ever increasingly in the previous decade is the extent to socioeconomic residential sorting has increased (Bischoff & Reardon, 2013).

The increasing levels of economic segregation created a competitive environment in which central cities needed to shift economic activity to ensure there were sufficient resources to produce services that matched those available in suburban areas. The suburban areas, however, had several advantages in that marketplace. First, they often limited the supply of housing (large plot - low density housing product) to ensure that lower income people could not afford to live in the area. Second, by reducing support for mass transportation the cost to live in these areas was further enhanced making it impossible for lower income households to live in the areas if they could afford rents or any of the homes that were available.

To deflect regional economic activity back to central cities many different initiatives were tried. First, several central cities built festival marketplaces inside older assets (train stations, etc.). Most of these failed as suburban areas also built retail centers and in the following years even built lifestyle centers that offered suburbanites a faux downtown experience. Second, subsidies were used to attract businesses, but in most instances those could be matched if not exceeded by the incentives offered by suburban communities.

It was quickly deduced that what central cities needed to compete with suburban areas were amenities that could not be reproduced or offered in the same metropolitan area by suburban areas. Retail centers and subsidies could easily be matched or duplicated. What could not be duplicated were professional sports. Why? Since the supply of teams is controlled by the major sports leagues and each league tries to minimize the number of teams in a market area, if the central city was home to the team those wishing to attend sporting events that lived outside the municipal boundaries of the city would have to spend their discretionary money and time in formerly avoided community. How to attract and retain a team became the focus of numerous central cities.

The value of sports and/or unique entertainment options was underscored by the early achievements by Baltimore and Indianapolis. In the 1990s, as noted in earlier chapters, San Diego and Los Angeles anchored revitalization to sports venues but with expanded levels of real estate development. Numerous cities followed in the footsteps of these communities, and what was evident in each case was that a special authority was needed to secure success.

Now it is possible to return to the issue of why special authorities are needed to effectively negotiate with teams and the large-scale development plans that when anchored by sports facilities can bias the location of economic activity. The answer lies in urban politics and the time-span across which large-scale real estate development can be successfully and profitably built.

Mayors and city councils are often elected on four-year cycles. The building of a sports facility and the related real estate development activities often spans more than two-election cycles. The plan for the redevelopment of downtown Indianapolis was initially approved in

1974; the complete build-out contemplated in that plan was not realized until the mid-1990s. The Ballpark District in San Diego spanned at least three election cycles; the completion of Staples Center and LA LIVE also spanned three election cycles. The large redevelopment surrounding Citi Field in New York will probably take 20 years. The recent commitment of Olympia Development of Michigan to further entertain the feasibility of \$200 million of additional real estate development adjacent to a new downtown arena will take at least 10 years given the demand for urban real estate in Detroit and the activities of other developers including Dan Gilbert.

To create investor confidence that long-term real estate projects will be insulated from changing political currents or the replacement of a mayor or city council that agreed to a concept or deal with other elected officials that might be less supportive of the plan an independent corporation or entity that is insulated from political cycles is vital. This organization would also be able to negotiate financial arrangements that are independent of a city's financial responsibilities.

The success of such arrangements was initially demonstrated by the Federal government's creation of the Tennessee Valley Authority (TVA) that oversaw economic development and electrification of rural areas in the region. Roosevelt's intentions in creating the TVA was to create an entity that was enabled with the power of government, but had the flexibility and initiative of private enterprise (Doig, 1983). A district or special authority leads the building and maintenance of airports and the terminals used by airlines in most regions. Two of the most influential special authorities for transportation and related real estate include the Port Authority of the City of New York and State of New Jersey and Massport (Boston). The Port Authority of New York and New Jersey has had such success and excess revenues from

projects like the George Washington Bridge, LaGuardia and JFK Airports, that their operations expanded to include operations such as the PATH system connecting New Jersey and New York City that operate under continuing deficits. The Port Authority has now grown to levels that it has seen its financial base erode as it takes on greater levels of debt and counts more facilities under its purview (Moss, 2014). At the current time the US Bureau of the Census reports there are approximately 20,000 special districts that states, counties, and cities have created to facilitate partnerships between the public and private sectors. Ostrom, Tiebout, and Warren (1961) discuss the potentialities that a polycentric political system has for providing governance in highly complex metropolitan areas. They viewed the business of governments in metropolitan areas as providing the provision of public goods and services. A subset of this discussion concentrated on an analysis of the problems of scale in constituting the public organizations which provide them. The theoretical underpinnings of that analysis, and the subsequent scholarship that followed within schools of public policy and public administration, are what guides my analysis of special districts that have been created to govern the provision of the sports venues.

Local units of government are viewed as the package for which within a set of boundaries that public goods are provided. A public good can be considered adequately packaged when the externalities of its provision are internalized within its borders. If the externalities spill over to neighboring communities the public good has is not fully internalized. Ostrom, Tiebout, and Warren viewed several criteria as paramount to the designing the appropriate “package” for the production and provision of public goods. These criteria include control, efficiency, political representation, and self-determination. It is these criteria for which the special district in both Cleveland and Indianapolis were both studied and analyzed, and the recommendations for the

future of special districts governing the provision of sports venues and the adjacent real estate are made with this theoretical basis of public administration in mind.

While there is an extensive literature on the performance of special districts and their structure for transportation, some forms of economic development, water management, and environmental protection, those created for sports venues and related real estate have not been studied with any similar level of regularity or intensity. This is unfortunate given some of the special conditions that define the sports industry and the benefits it produces. Sport by its nature involves conjoint production (two teams or other more than one individual required for competition) and that means policies and practices of professional sports leagues have to be considered and addressed by public sector interests in negotiations with a team. Leagues have been permitted to grant exclusive territories to their members, and the rules of each league strictly govern the ability of any member of the league to encroach on existing territories (Fort, 2003). The ability for leagues to control the supply available in the market provides them with credible leverage against the public sector in their negotiations. This control of the supply available in the market is enhanced when credible threats can be made that a team will relocate to another city or region. Municipalities that currently are home to a team not only need to concern themselves with viable threat locations outside of their region, but also from within their region. Florida was once the home to the vast majority of spring training locations for major league baseball. In the 1990's the distribution of spring training franchises drastically changed as Maricopa County in Arizona provided new financial incentives to teams to move from the Grapefruit to the Cactus League. There now exists an even split between the two states for spring training homes. Those issues are not the staple of local government politics or administrators and require specialized expertise. These unfamiliar factors within the business

climate of sport and the long-term nature of large-scale real estate projects suggests the value of independent boards and districts with board members appointed to terms that span election cycles to avoid the maelstrom of electoral politics.

The extensive literature on the operation of special districts helps to frame a typology of the institutional arrangements that have guided the formation of these new units of quasi-governments for infrastructure development since the formation of the Tennessee Valley Authority. At the initial level is the decision of the governments to be involved. At the second level is the decision to assign revenues to the new unit of government (fees from lessees, taxes, or income from market-related activities, etc.). Each is bounded by constraints related to the wealth of participating governments and their size. At the third level is the control of any assigned revenue streams that the special district or authority is empowered to collect or receive. From a theoretical perspective the most important aspect for a special district is the certainty it has on both the receipt of future cash flows (assigned revenues) and its ability to assign these revenues at its own (and sole) discretion.

Why is control and certainty of both revenues and their assignment vital to special districts? The ability to forecast expected revenue flows allows leaders of organizations to develop innovative strategies for long term plans and development. As seen in the literature evaluating the success of infrastructure projects both Pickrell (1990) and Richmond (1998) note that the accuracy of traffic demand forecasts as essential to the financial viability of projects. Whether or a new bridge or tunnel has the ability to draw upon a large population of potential users, or includes a successful coordination between any number of municipalities in its formation, is less important to its financial success than the projection of its actual use forecast. A special purpose district might have increased levels of creativity in how a facility or

redevelopment project is financed based upon the number of layers of municipal entities that empower it. If a development project and operating special district is afforded the ability to draw upon assigned tax revenues streams from state, county, and local governmental entities – this diversified portfolio of revenue streams only enhances the potential levels of success for the project. In essence a diversity of assigned tax revenues streams helps mitigate risk for the development of the project. However, absent guaranteed controls for the future of these revenue streams, the number of assigned tax revenues is largely unimportant to the overall success of a development. What use does a non-guaranteed and predictable revenue stream have for the planning of the future of a project? These types of revenue streams have the ability to both make and/or cripple a development project.

The following chapter will outline the underlying social and economic forces taking place in Indianapolis (Indiana) and Cleveland (Ohio) that attracted these central cities to a redevelopment strategy anchored by sports venues. These forces assume a substantial role in the structure and function of the quasi-governmental agencies that were tasked with leading the building and maintenance of the venues and ensuring their linkage to the redevelopment strategy. These new agencies highlight the varying levels of intergovernmental cooperation that was needed to both finance and manage the development of sports venues and the associated real estate projects designed to re-focus some level of regional economic activity into central cities.

Indianapolis, Marion County, and the Capital Improvements Board

Indianapolis' leadership (itself led by the Lilly Endowment) built a vision for the revitalization of downtown that aggressively focused on sports teams, events, and organizations (the amateur sports capital of America), tourism, culture and entertainment amenities. The scope, scale, and continued commitment to this plan across five decades has led many to consider

Indianapolis' revitalization plan to have successfully re-branded and re-vitalized a declining downtown and central city. The vision created by Indianapolis' civic and corporate leadership with little broad based public input has been in place, and survived five decades and five different mayors (4 republican and 1 Democrat). The plan was made possible by financial support from the Lilly Endowment, but was led by the new consolidated city/county of Indianapolis/Marion County and newly created Department of Metropolitan Development. Across more than 50 years, the State of Indiana, the City of Indianapolis, and numerous private companies and public authorities and organizations rebuilt a moribund downtown center and kept it vital.

In the late 1960s and early 1970s Indianapolis' leadership believed that a consolidated suburban and central city local government would convince both business and residents to move downtown. UniGov -- the popular term given to the consolidated form of government -- was an effort to include the wealthier residents of outlying neighborhoods into the tax base of the central city. Before consolidation Indianapolis had slightly more than 475,000 residents; following consolidation the city had 746,992 residents. The population within the older boundaries of the central city of Indianapolis (its pre-consolidation boundaries) would decline (like most rust belt cities) in the decades to follow, but by 2000 it had grown to 718,870 and by 2010 the population within the boundaries of the consolidated city/county had reached 820,445 residents.

Even with positively trending population growth in Indianapolis, the rapid growth of suburban counties within the region illustrates the importance and needed emphasis that Indianapolis and its leaders have continued to place on the development of its downtown and adjacent communities. Across the past decade the suburban counties within the metropolitan region have enjoyed growth rates of more than 20 percent (see Table 9). Arguably more



importantly as illustrated in Table 8 median income levels are substantially higher in surrounding counties than in the consolidated city/county of Indianapolis/Marion County and poverty in the region is concentrated near the central city. Economic segregation is still a major issue of concern within the region and moving forward for the future of Indianapolis.

Table 9. Population Trends: Percentage Change by Decade

City/County	1940 to 1950	1950 to 1960	1960 to 1970	1970 to 1980	1980 to 1990	1990 to 2000	2000 to 2010
Indianapolis	10.4	11.5	56.8	-4.7	4.3	5.4	4.9
Boone	8.7	14.8	12.1	18.1	4.7	20.9	22.8
Hamilton	15.8	40.9	35.9	50.4	32.8	67.7	50.3
Hancock	17.5	31.1	31.6	25.2	3.6	21.7	26.4
Hendricks	22.0	66.3	32.0	29.3	8.5	37.5	39.7
Johnson	16.4	66.9	39.9	26.3	14.1	30.8	21.2
Marion <sup>1</sup>	19.7	26.4	13.8	-3.6	4.2	7.9	5.0
Morgan	19.8	42.8	30.4	17.7	7.5	19.3	3.3
Shelby	8.0	21.6	10.9	5.5	1.1	7.8	2.3

<sup>1</sup> Population counts for Marion County include all independent cities in 1940-1960, and the four cities that did join the consolidated city/county from 1970 through 2010. Source: U.S. Bureau of the Census, various years

Regional trends aside, the catalyst that launched Indianapolis strategy for downtown development with its focus on sports was its perceived “non-image”. The existence of a non-image was confirmed in the national survey in the 1970s that found that Indianapolis was largely invisible and unknown to many Americans (Rosentraub, 1997).

A key agent in facilitating this strategy was the Capital Improvements Board of Managers of Marion County (CIB). The CIB has become the pre-eminent body for the financing and building of the several sport facilities in downtown Indianapolis, and other major facilities within Marion County. Its structure also allowed it to assume a role in the redevelopment strategy through its ability to issue bonds that could be easily securitized on the financial market that facilitated real estate development. In that regard the CIB was similar to port authorities in several other communities that while established to deal with ports and airports were also able to finance real estate development associated with revitalization. For example, the World Trade

Center's Twin Towers in lower Manhattan was a Port Authority project. At a smaller scale, the Port Authority of Cleveland – focused only on the port on the Cuyahoga River – has also been a partner in numerous economic development activities. Indianapolis had no need for port authority – the airport is a separate special district – but the CIB quickly became Central Indiana's vehicle for assisting in financing projects associated with economic development including the sport venues in the downtown area.

The CIB is a municipal body of Marion County that is authorized to finance, build, operate, and maintain capital facilities that promote convention, cultural, entertainment, and recreational activities. The Indiana General Assembly created it as a municipal corporation in 1965. The sports and entertainment facilities that the CIB manages within Indianapolis include the Indiana Convention Center (ICC), Lucas Oil Stadium (home of the Indianapolis Colts), Bankers Life Field House (home of the Indiana Pacers), and Victory Field (home of the AAA Indianapolis Indians).

The CIB has the legal authority to issue its own revenue bonds, but Indiana law limits the amount of indebtedness it is allowed to incur. In order to finance the above-mentioned facilities the CIB has been able to call upon both the Indiana Finance Authority (IFA) and the Marion County Convention and Recreational Facilities Authority (MCCRFA) to issue the vast majority of the debt involved in their projects. The MCCRFA is an especially unique quasi-governmental body because of the purpose it serves. The authority was specifically created and enabled by the state of Indiana to acquire one or more capital improvements from local governmental entities.

Following the acquisition of a capital improvement, the MCCRFA assumes the facilities debt service obligations from the issuing entity, in this case the CIB. The CIB has been able to

take advantage of the creation of this authority through its leases on Victory Field, Banker's Life Fieldhouse, an adjacent parking garage, and part of the Indiana Convention Center. As previously mentioned the CIB has covenants with regards to its debt load capacity and as result the creation of other special districts / authorities such as the MCCRFA allow it to transfer some of its debt load to other organizations. Even with its previously issued debt funded or refunded by another organization, the CIB still makes lease payments to the MCCRFA which relies on those lease payments to pay their debt service. The MCCRFA is a special district/authority that was created to assist the CIB and other local governments address their economic development goals. Due to its status as a special authority the MCCRFA is *not* subject to any debt limitations under Indiana law. Though the Authority may be covenanted from issuing more debt due to contractual obligations, by not having a legal debt limit a greater degree of flexibility exists – and that flexibility is utilized by other entities. Another important reason for the creation of a special district is the ability to be independent of state imposed debt limits.

That flexibility does not mean that there are no checks on the ability of the special district to incur debt. That vital check is left to market forces. If the bond market or rating agencies issue opinions that a special district is over extended, lenders will not purchase bond packages – or require terms which cause the project to be infeasible from a financial perspective. While the recent recession illustrated the inability of some lenders and rating agencies to properly evaluate exotic financial products, suffice to note that special districts were not contributors to the collapse of financial markets in the past decade. In that sense the check and balance system operating through market forces did not fail with regard to the fiscal stability of special districts. There have been instances when some special districts could not meet their financial obligations,

but those default rates were not excessive nor did those lead to a lack of confidence in the entire financial system or any individual bank.

The creation of similar organizations, as already briefly noted, is not unique to Indiana. Limits to the overall debt capacity enacted by states required a change in the structure of how debt was issued. The proliferation of asset-backed securities increased interest among lenders for municipal debt lead to increasing roles for special districts / quasi-governmental agencies in the economic development process. State and local governments created these special districts for specific purposes and tasks and soon included or encouraged targeted real estate development as part of their scope of activity. Further, as noted, elected officials believed it would be better to have an organization independent of election cycles and politics. Leadership of these agencies can then take long-term development views that might be considered unpopular and politically disadvantageous for elected officials to implement.

To illustrate the complexity of and the amount of actors involved in the structure and coordination of a stadium's financing program led by the CIB an in-depth look at the structure of the Lucas Oil Stadium is provided. A number of critical items needed to be accomplished prior to the CIB being able to enter into a lease agreement with the Indianapolis Colts. First and foremost, Indiana needed to pass legislation that would increase the amount of revenues that were legally obtainable from various existing tax revenue streams accruing to the CIB as well as increasing the captured allotment allowed within Professional Sports Development Area (PSDA). The PSDA is a designated downtown area in which State Sales and Use Taxes, State and Local Income Taxes, and Food and Beverage Taxes flow directly to the CIB. These legislative changes are by no means inconsequential; since 2008 the CIB has been able to collect in excess

of \$200 million in additional taxes because of the changes. Table XX outlines the revenue by source from 2008 to 2012.

Table 10. CIB State and Local Tax Collections, 2005 Legislative Changes 2008 – 2012

Revenue Source	2008	2009	2010	2011	2012	% of Total
Innkeeper's Tax 3%	11,607,069	9,951,988	10,138,743	12,035,225	13,556,707	25.1
F & B Tax (1%)	18,302,507	17,245,791	18,114,074	19,456,828	21,363,190	41.1
Admissions Tax (1%)	1,114,592	1,209,082	1,239,273	988,916	1,307,404	2.5
Auto Rental Tax (2%)	2,137,402	1,890,765	2,000,674	2,051,253	2,349,515	4.6
PSDA Allocation	10,839,606	7,202,432	6,020,354	7,444,361	8,544,320	15.4
Regional F & B Tax (.5%)	5,108,824	5,086,286	4,952,111	5,387,617	5,193,634	11.2
Total 2005 Changes	49,110,000	42,586,344	42,465,229	47,364,200	52,314,770	

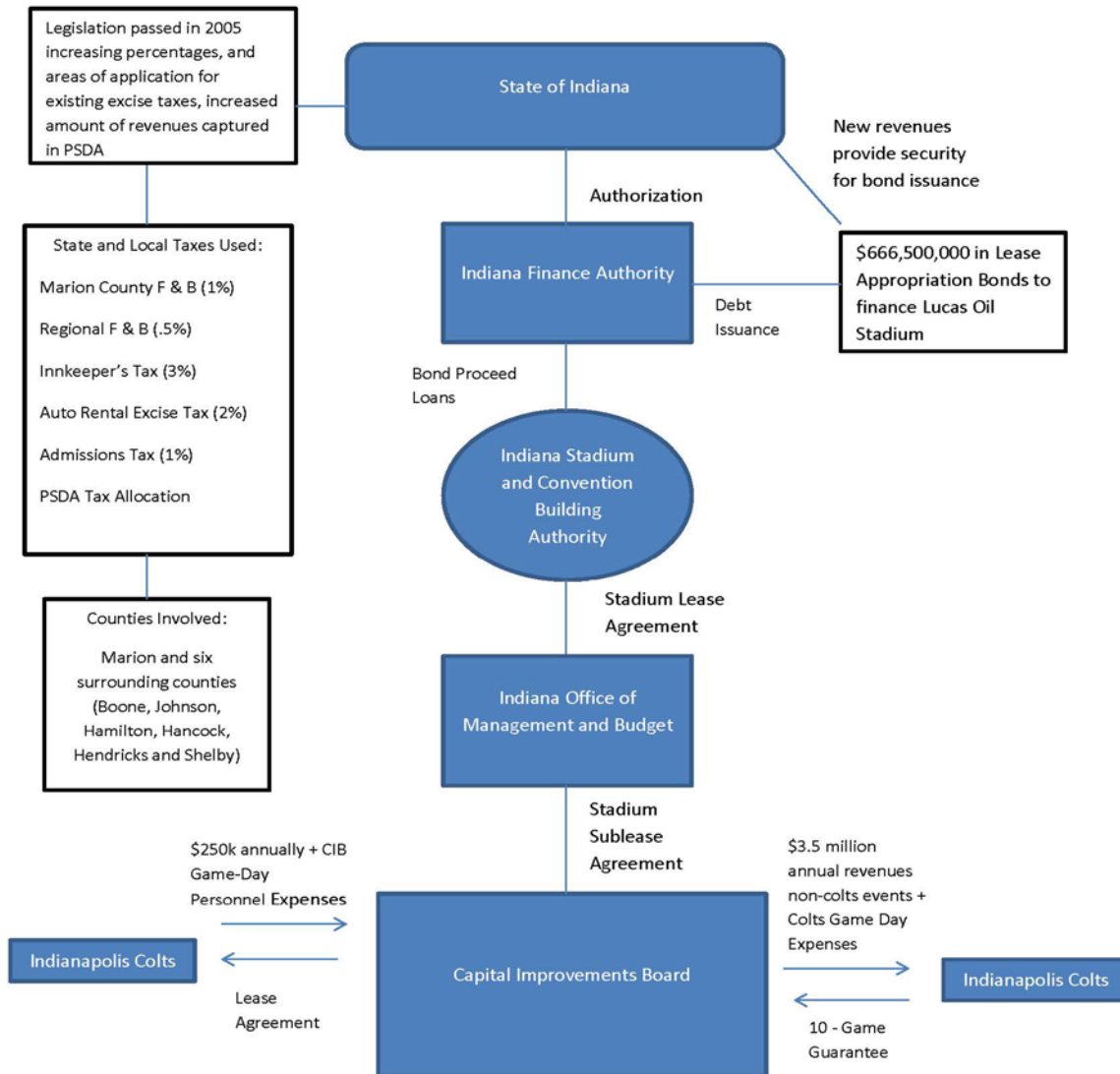
Source: CIB Comprehensive Annual Financial Reports

For the CIB an annual revenue stream in excess of \$40 million dollars provides a steady and substantial revenue stream with which debt is serviced. Various tax streams were designated to help repay the bonds sold to pay for the venue’s construction (see Table 10). Indiana permits its gross retail tax, use tax, and adjusted gross income tax on individuals collected within the geographic borders of the PSDA to be deflected to the CIB. The regional food and beverage tax is collected in six counties that surround Marion County: Boone, Johnson, Hamilton, Hancock, Hendricks and Shelby. Marion County itself imposes the rest of the taxes including, an Innkeeper’s Tax, Admission Tax, Food and Beverage Tax, and an Auto Rental Tax. Aside from the food and beverage tax these tax revenues are largely considered either user or tourist taxes and can be considered largely exported taxes to tourists or those who directly enjoy the facility.

In addition to the numerous local governments that have authorized the assignment of revenues to the stadium project, a number of different quasi-governmental agencies are involved in ownership of the facility prior to it being leased by the CIB to the Indianapolis Colts. First

Indiana provides an authorization for the Indiana Finance Authority (IFA) to issue debt for the capital project. For Lucas Oil Stadium this meant the issuance in \$666.5 million in bonds. The interest on the bonds issued by the IFA can be excluded from gross income for Federal tax purposes, and exempt from Indiana's income tax as well. These exemptions make the bonds more attractive to investors, and if the project were to have gone to market with non-exempt bonds the interest rates of the bonds would likely been much higher. The IFA then takes the proceeds from the bond offering and loans it to the Indiana Stadium and Convention Building Authority (ISCBA), which is the authority under which the stadium was built. This entity was created by the state with its task to finance, design, construct, and own Lucas Oil Stadium (and the expansion to the Indiana Convention Center). Under its ownership the facility receives its property tax exemption. The ISCBA then enters into a stadium lease agreement with the Indiana Office of Management and Budget, which in turn subsequently enters into a sublease agreement with CIB.

Figure 11. The Structure of Stadium Finance in Indianapolis



Decision makers in Indiana and the consolidated governments of Marion County and Indianapolis have made a conscious policy choice to provide to the CIB a substantial level of authority. This appointed (non-elected) body is responsible for the allocation of almost \$100

million dollars in tax revenues from both state and local sources in 2014. The next question that is valid to ask about authorities like the CIB, is if they aren't responsible to voters to whom do they report?

The CIB consists of a nine-member board. Six members are appointed by the Mayor of Indianapolis, the Marion County Board of Commissioners (MCBC) appoints two (2) and the Indianapolis City-County Council appoints one board member. With respect to authorizing any types of official action a majority of the board constitutes not only a quorum, but also agreement amongst a majority is required to take action. From a decision making perspective that means that it only takes agreement among five (5) members and as a result the Mayor of Indianapolis in a functional sense has a high level of control of the actions taken by the CIB. When playing out potential decision making scenario's why is this fact important? It is key, because of certain stipulations regarding the composition of the board itself. First and foremost, of the six mayoral appointments, only four are allowed to be of the same political party, and the two MCBC appointments must be of different political parties. In addition, one of the Mayoral appointments must be engaged in the hotel or motel business within Marion County.

Due to its structure, in practice, the CIB is a tool that allows the mayor of Indianapolis – as long as he/she leads the political party without internal opposition -- to steer the development agenda. For example, a democratic Mayor has the ability to appoint four democratic board members, while the MCBC is obligated to appoint a democrat as well. This establishes an effective majority to pursue the agenda and plans favored by the mayor. The argument can be made the board has the ability to promote the development agenda of the Mayor, while at the same time keeping the Mayor at a safe political distance from the CIB's decision making process. The CIB's budget is approved by the Indianapolis – Marion County City-County Council, and



not the Mayor. It is easy to surmise the amount of political maneuvering that can impact the CIB's decision-making process.

#### Gateway Sports Complex, the City of Cleveland, and Cuyahoga County

The City of Cleveland and its attempts to use investments in entertainment, cultural, and sports facilities to revive a declining central city provides an interesting contrast to the strategy employed in Indianapolis for two very compelling reasons. Unlike the consolidated city-county that is Marion County and Indianapolis, Cleveland is a separate and distinct political entity from Cuyahoga County. As a result, a very different administrative structure was required. Second, the plan put forth for redevelopment in Cleveland did not employ a detailed strategic plan and vision for the redevelopment of its downtown that was at the heart or driving force behind Indianapolis' plans and aspirations. Cleveland's vision can be viewed as only a general strategy or loose vision (Rosentraub, 2012).

During the 1960's and 70's Cleveland experienced an outflow of its residential population equal to just over a third of its 1960 population. This exodus was fueled by race riots in the late 1960's. Cleveland's loss of population continues; by 2010 the city had fewer than 400,000 residents. Population loss within the region wasn't limited to Cleveland. Table 11 illustrates the difficulties that the region was having attracting and retaining its residents.

Table 11. Population Changes in Cleveland, Cuyahoga County, and the Metro Area

<b>Year</b>	<b>Cleveland</b>		<b>Cuyahoga County</b>		<b>MSA</b>	
	<i>Population</i>	<i>Change</i>	<i>Population</i>	<i>Change</i>	<i>Population</i>	<i>Change</i>
<b>1980</b>	573,822	-177,081	1,498,400	-222,435	2,173,734	-63,766
<b>1990</b>	505,616	-68,206	1,412,140	-86,260	2,102,207	-71,527
<b>2000</b>	478,403	-27,213	1,393,978	-18,162	2,148,143	45,936
<b>2010</b>	396,815	-81,588	1,280,122	-113,856	2,077,240	-70,903
<b>2012</b>	390,928	-5,887	1,265,111	-15,011	2,063,535	-13,705

Source: U. S. Bureau of the Census, various years

The loss of population, coupled with the relocation of numerous major business and substantial job losses within the manufacturing sector, signaled the Greater Cleveland economy was undergoing significant restructuring. Local politics, issues, and the actions by local elected and civic leaders were important to this restructuring, but played a small role in the wake of the changing nature of the manufacturing sector and increasing levels of both foreign and domestic competition. As the economic restructuring began to shake the city and region, Cleveland endured a fiscal-political crisis. While these events encouraged even more people to leave the city, they also set in motion the beginning of Cleveland’s revitalization effort. A key piece to this revitalization strategy was the Gateway Economic Development Corporation.

The Gateway Economic Development Corporation of Greater Cleveland (hereafter, Gateway) is the creation of the City of Cleveland and Cuyahoga County organized under Ohio’s revised code. Gateway is a nonprofit corporation authorized by the State of Ohio to enter into cooperative agreements with counties and cities to acquire, construct, renovate, equip, lease, manage or operate a sports facility. An important and noteworthy difference between the structures of the financing between the original financing for the facilities in 1990 in Cleveland,

and the complicated multi governmental lease pass through structure in Indianapolis is a result of the 1986 changes to the US tax code.

The Tax Reform Act of 1986 made several changes to what could be considered a tax-exempt bond. Under the new requirements a bond was considered taxable if more than 10 percent of the bond proceeds were utilized by a non-governmental entity and more than 10 percent of the debt service for the bond was secured was used either directly or indirectly by a private business (Zimmerman, 1997). It is apparent that sports venue could violate the former requirement, but bonds can be considered tax-exempt as long as they do not violate both tests. The requirement that bonds must be issued by a governmental entity in order to be considered for tax exemption requires public sector participation in the financing of sports facilities. As a result of the 10 percent rule for debt security, a team's lease cannot practically contribute a large portion of the debt service needed to repay the bonds. Gateway's financing of the facilities in 1990 created the ability of a much simpler structure because the industrial development bonds that were issued by Gateway for the project were grandfathered in as tax-exempt. The difference is observable in the structure of the Cleveland Browns Stadium financing which utilized the Certificate of Participation model, where the Cleveland Cuyahoga County Port Authority acts as the initial ground lessee from the City of Cleveland, which then leases the facility to the city, and ultimately to the Cleveland Browns (Rascher, 2006).

In May of 1990 Cleveland, Cuyahoga County, and the newly created Gateway Economic Development Corporation of Greater Cleveland entered into a three party agreement to finance, build, and own a new arena for the Cleveland Cavaliers and a baseball stadium for the Cleveland Indians in downtown Cleveland. As part of the agreement Cuyahoga authorized an excise tax, commonly referred to as a "sin tax" because it is was collected on the purchase of cigarettes and

alcohol (technically a sumptuary tax) to finance the construction, debt service, and operational costs of both facilities. The Gateway Board is made up of five members, two members are appointed by Cuyahoga County and Cleveland. In Cleveland the Mayor and the City Council each appoint one member of the board. With the Democrats in control of both institutions one party essentially appoints the two members. The 3-member county council was comprised of three elected county councilors chose in at-large elections selected Cuyahoga County's representatives. After the structure of county government was changed a new council chose one delegate and the county executive chose the other. The mayor and county executive appoint the chair of the Gateway board.

The Gateway Corporation is also responsible for the leases negotiated with each of the teams. The initial documents were agreed to by all parties in the early 1990s and approved by Cleveland's city council and the county's commissioners. The original leases did not produce sufficient revenues for Gateway to fulfill its financial responsibilities that included (1) maintenance of both venues and the public spaces between the arena and ballpark, (2) the payment of the assessed property taxes to the Cleveland public schools, and (3) the salaries of Gateway's employees. Facing bankruptcy in 2003, Gateway's board entered into negotiations with both teams. In 2004 new leases were agreed to with the teams that provided sufficient revenues to support all of Gateway's financial obligations with regard to operations and the payment of property taxes. In addition each team agreed to assume responsibility for all maintenance expenses of \$500,000 or less and individual maintenance expenses could not aggregated. What that meant is that if all the carpets in each suite had to be replaced, each suite's carpet was classified as a separate project and thus costing less than \$500,000. From 2004 through 2014, the teams paid for all maintenance expenses and the public sector was only

responsible for the arena's roof, heating and air conditioning system, and the foundations of each building.

The Gateway Board and the teams jointly approve the corporation's annual budget. Once accepted by all parties, the teams make quarterly payments to fund the Gateway Corporation's annual operating expenses that include the corporation's professional staff and the salaries of the staff hired to provide security for the venues. The Gateway Corporation's executive director works with both teams to ensure that the needed maintenance projects are undertaken and completed. Gateway is still responsible for ensuring that the facilities are appropriately maintained and has the authority to require any and all projects be funded and accomplished in a timely fashion. The teams cannot refuse to implement any required maintenance project approved by the Gateway board.

In 2014 the county's voters are being asked to renew the sin tax to provide revenue needed for Gateway's responsibilities enumerated in the new lease. If the voters do not extend the tax then the city and county will have to rely on operating expenses and other revenue streams (property or income taxes, fees, interest income, fines or revenue from licenses) to meet their responsibilities as outlined in the 2004 lease.

Gateway assumes an important role for the city and the county as it issues the bonds for the arena and ballpark. The bonds do not constitute a debt or liability for Cleveland, or Cuyahoga County. What is a flaw in the design of Gateway – as compared to the Capital Improvements Board in Indianapolis – is that no revenue streams were assigned to it to ensure that the public sector's responsibilities under the leases could be fulfilled. In essence Gateway's board negotiated a lease with the teams that was approved by a set of public officials. Elections and then a change in the structure of county government replaced a number of the public officials

who approved the leases. As a result, Gateway is now dependent on a new set of officials and another vote by county residents to ensure that elements in the lease are fully executed. Note that the structure in Indianapolis ensures that the Capital Improvements Board can access the resources needed to fulfill the terms of any lease. Gateway as it is structured cannot do that.

Olympia Development of Michigan, Downtown Development Authority, and Detroit's Future

On March of 2013, Governor Richard Snyder announced the appointment of an emergency financial manager – Kevyn Orr – to take charge of Detroit's financial situation. Orr's appointment meant that Detroit's elected officials no longer were responsible for the city's financial affairs and policies, they would be kept informed of decisions, but no longer had decision making ability in the city's business affairs. The future and fate of Detroit was now in the responsibility of a bankruptcy attorney appointed as an emergency financial manager by the Governor and not by an elected representative of the voters and taxpayers of Detroit.

Three months after appointing an emergency financial manager, Governor Snyder announced that the Michigan Strategic Fund had approved a plan and development strategy between the Detroit Downtown Development Authority and Olympia Development of Michigan (the real estate development arm of Ilitch Holdings, the parent company of the Detroit Red Wings and Detroit Tigers). What is referred to in legislation as the Catalyst Development Project "CDP" for Detroit is estimated to involve \$650 million dollars of investment in downtown Detroit has the potential to link two areas of the inner city where development efforts are underway. It is difficult for most to conceive a situation where a city is about to enter bankruptcy, while at the same time putting forth a development package that only guarantees the completion of \$450 million dollar event center and parking garage for the Detroit Red Wings.

The overall public/private financing has been described as a 60/40 private-public financing split. The publicized story does detail vital elements of the existing commitments. What follows is a careful assessment of the CDP with an emphasis on how different governmental agencies involved in the project will have a large impact on the overall redevelopment in downtown Detroit.

Prior to delving deeper into the implications of the CDP for Detroit, it is necessary to understand the number of steps and stages of intergovernmental cooperation that were necessary to ensure a new event center in downtown for the Red Wings could become a reality. The key quasi-governmental agent is Detroit's Downtown Development Authority (hereafter, DDA). Detroit's DDA was created in 1976 pursuant to Act. No 197 of the Public Acts of 1975 by the State of Michigan. The DDA was created to engage in efforts to halt property value declines or deterioration within the city's downtown business district and promote business growth. In general, within Michigan, a downtown development authority is a tax increment finance authority empowered to enable to participate in the financing of activities to achieve the goals of reversing decline within a designated development area. In 2012 the legislature authorized Detroit's DDA to use specific tax increment revenues levied after July 1, 2010 (which are defined as catalyst project revenues) to fund the CDP. From a policy perspective this amendment was defined only to apply to cities within Michigan having over 600,000 residents while also requiring at least \$300 million in capital investment. House Bill 5463 passed 27 to 11 in the Senate on December 5<sup>th</sup> 2012 and 58 to 49 in the House on December 12<sup>th</sup> – from a contextual standpoint during the same time period “right-to-work” legislation was introduced and ultimately signed into law by the Governor. The right to work legislation passed without a single democratic vote in the House, and the CDP legislation passed with very little democratic support

as many who supported the project took a hardline stance against any republican sponsored measures during this time period.

Tax increment financing (TIF) is an economic development incentive tool that is widely used to advance development. The mechanics of a TIF can range from fairly simple to complex calculations depending on the number of municipalities that can claim taxing jurisdiction within a designated area. A local governmental entity will designate a certain proposed area as a TIF district. Statutes are routinely created requiring the district's to be part of distressed or blighted area, but that is not always the case. The current assessed value of the property within the designated area is assessed at the establishment of the TIF district, and that is the base from which the increment is then calculated in the years following the establishment of the TIF district. Tax revenues derived from the growth in assessed valuation of the property (or other defined taxing instruments at the establishment of the district) are then available to pay for permitted economic development costs within the district. A key to TIF district's is its ability to access revenues calculated from all local taxing jurisdictions, and keeping that revenue separate from the overlying governmental entities (Dye and Merriman, 2000). The hope for the newly defined TIF district within the DDA is that the commitments for private investment in the area stimulate enough incremental tax revenues to service issued debt in conjunction with the arena, and prophesized ancillary real estate development. Figure 12 below outlines the newly defined CDP area within the city of Detroit.



Figure 12. Catalyst Development Area, City of Detroit Downtown Development Authority



Source: City of Detroit Downtown Development Authority

A common misunderstanding regarding Detroit's DDA is its relationship to Detroit and their financial connections to each other. The DDA is its own separate legal entity but it is a component of Detroit for financial reporting purposes. This designation as a component of city government is a result of the appointment of the DDA's Board of Directors by Detroit's mayor. In addition, the Detroit City Council confirms the mayor's appointments and is also responsible for the approval of the DDA's budget. The DDA's status as a separate legal entity and the fact that the funds that it dedicates towards a wide range of projects are held by separate legal entities from the city, allow the agency to continue its business independent of Detroit's fiscal situation.

The enabling legislation specified the revenues that could be used for catalyst project and would be pledged for the repayment of bonds issued by the Michigan Strategic Fund ("MSF") to finance a portion of the construction costs of the events center. The tax increment revenues that are considered catalyst project revenues include ad valorem property taxes and specific local

taxes attributable to the levy by the State under the State Education Tax Act 331 of 1993<sup>20</sup>, and by local or intermediate school districts that were levied on or after July 1, 2010.

The CDP allows for the DDA to restart its collection of school property tax revenue that would have otherwise would have been diverted to the state. What about the CDP that allows the DDA to capture revenues that would have otherwise have been lost to the city? As part of the passage of Proposal A by the voters in Michigan in 1994, which impacted school property tax revenues, tax increment plays are only permitted to capture school tax revenue in order to cover existing debt service. Any amounts over and above debt service are required to be returned to the State. Therefore the passage of the CDP, allowed for state school tax revenues that would have left the city of Detroit, with an unsure ultimate home, to remain in the city for economic development purposes through the DDA.

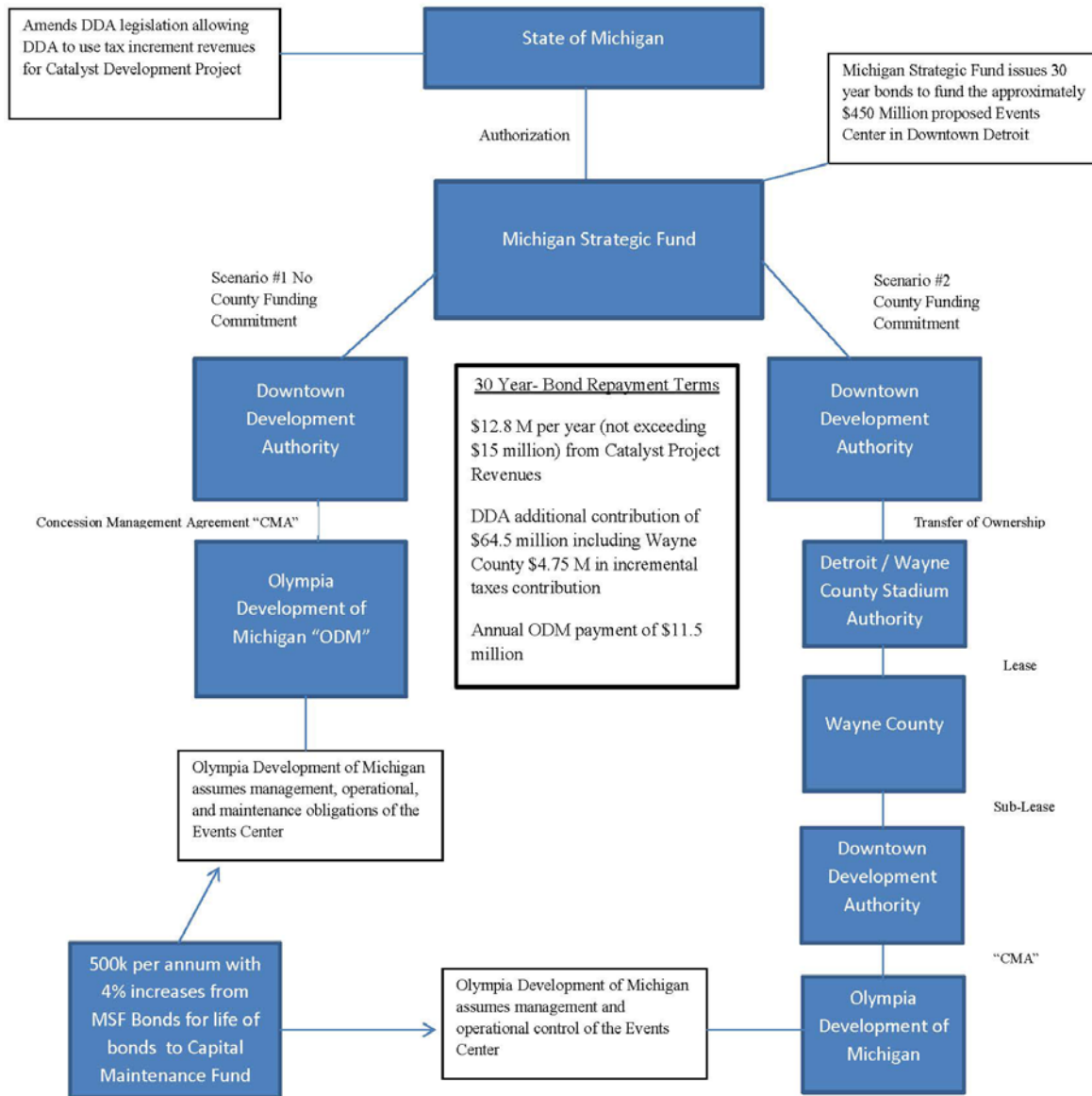
The MSF bond offerings will be split into two separate and distinct phases. The first, already agreed upon and guaranteed phase of the CDP, includes \$450 million in bond proceeds dedicated to the building of the Events Center and an attached parking deck. Figure 13 below will detail the structure of the financing and ultimate ownership of the Events Center. As the deal is currently contemplated, the DDA will enter into a concession management agreement with Olympia Development Michigan who will then assume full management, operational, and maintenance obligations for the facility. Pending all final approvals from Wayne County for its contribution to the financing of the facility, ownership of the facility will flow through a few different special purpose governmental entities. Initially the EC will be owned by the DDA, who will then transfer ownership to the Detroit / Wayne County Stadium Authority (which currently owns and maintains Comerica Park and Ford Field) who will lease the facility to Wayne County,

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<sup>20</sup> The act declared that beginning in 1994 there is a levied state education tax on all property not exempt by law from ad valorem property taxes at a rate of 6 mills.

which will then sub-lease the facility back to the DDA which will then enter in the previously described concession management agreement.

Figure 13. Structure of Financing and Ownership of Detroit’s New Downtown Events Center



An important difference between the private and public sector and how their contributions to the deal are characterized is how land is characterized in the public financing split. ODM's private land acquisition and project related costs at the time of the MSF inducement of the bonds was characterized as \$47.8 million and considered part of the overall \$450 million dollar financing package. This land was conveyed to the DDA in order to assemble the necessary land to site the events center, at the same time parcels from the City of Detroit and Detroit's Economic Development Corporation were also conveyed to the DDA for the project. This conveyance from the city and EDC totals 39 vacant parcels of land for \$1. In addition, while ODM is responsible for the on-going maintenance of the facility, as part of the financing of the facility a Capital Maintenance Fund has been established to the tune of \$500k per year increasing at 4% for the life of the 30 year bonds.

As part of the \$650 million dollar CDP project, ODM committed to the development or inducement other private developers to \$200 million in additional developments within the defined catalyst development area. The public sector has agreed to a number of benefits in order to trigger this development commitment. Both the city and EDC have made on-going commitments to convey to the DDA additional parcels of land to be held for development within the defined CDP. The current deal involves the transfer of 36 parcels, 33 from the city of Detroit, to the DDA. The DDA has additionally agreed to pledge up to \$62 million over an approximately thirty years for debt service payments to be apportioned pro rata by project. A crucial piece to this agreement is the time frame for which the ancillary development is required to occur in order for the projects to qualify for MSF financing. ODM must commit or induce others to commit to the \$200 million of investment within five years following the opening of the new events center. The development projects that will make up the \$200 million of investment

are allowed to occur anywhere within the designated CDP area – and may include retail, office, business, residential, hotel and various other commercial uses. Current projects that are under consideration that have been proposed by ODM include renovations of 1922 Cass, Detroit Life and Blenheim buildings which would create over 50 housing units and approximately 5,000 sf of retail and 70,000 square feet of office space. Other projects currently being contemplated for feasibility are a new parking deck with ground floor retail, a hotel, and a mixed use office/commercial/retail space. Other projects that are necessary to provide the infrastructure for the development of the CDP, including a new DTE substation, can be considered as part of the EC Ancillary development project. Though the infrastructure work is necessary to set-up for the future growth, it won't stimulate the type of activity within the district that many have considered vital to success of the project for downtown Detroit. The deal between the public and private sector in Detroit did not follow the example set in San Diego, which made the public funding of the ballpark explicitly contingent on development guarantees by the Padres' owner. This deal was portrayed to be similar to other partnerships, but as the documents continue to be formalized the promised ancillary development is not an explicit guarantee. The DDA has the ability to allow for other developers to invest and receive the public dollars that are available to be spent within the district, but the bulk of the public sector investment will flow directly to Olympia Development without any guarantee that the recipient will in turn invest money in real estate near the arena. In my opinion that is a major failing of this agreement between the public and private sector, and places its ultimate success in very precarious position – and ultimately what downtown Detroit most needs is an immediate, concentrated infusion of private investment to provide confidence to the market that things have changed within the Motor City and the future is bright.

What essential functions or empowerments should an authority that is tasked with development of real estate anchored by a sports facility have to help facilitate and ensure successful outcomes? *First*, the financing package that is put together by the authority that will oversee the relationship between the public and private sector needs certain safeguards. The authority needs to be empowered by the government(s) that provide for its creation to retain the ultimate and irrevocable consent by these entities to control the designated revenue source(s)/stream(s) that have been outlined to finance the facility to, at a minimum, the retirement of the debt service that funded the construction and development of the project.

*Second*, the individuals that hold the decision making responsibility for the authority need to be able to make long-term decisions for the success of the development that are not beholden to the fickleness of election cycles. For this reason authority decision makers should not be made up of elected officials, and should have terms that span multiple local election cycles. By providing this empowered separation from the election cycle the authority can make decisions that it believes are best for the long-term future of a development without having to continually operate under the threat of a changing political climate. It is important to remember that the strategies put in place by authorities are most effective when they can be done so under a certain set of assumptions of future conditions. Separation from political cycles is a safeguard that should be put in place for an established authority.

*Third*, the authority needs to make a positive decision regarding what parties will be responsible for both operational and maintenance (routine and capital) for the life of the development. There are a wide ranging set of pro's and con's to how this relationship should be structured, an overarching prescriptive recommendation for how that should be set up is imprudent to make due to the uniqueness of every development that does take place. However,

what is important is that the outlined responsibilities need to be done prior to the provision of funds for the construction and development of the development and need to include detailed operating and management agreements that painstakingly detail each party's responsibilities for the life cycle of the facility. Ideally a designed authority needs to be empowered to act as its own separate body following the construction and development of a project. The goals of the public sector need to be clearly outlined prior to the establishment of an authority, and these goals should then provide a clear set of objectives and outcomes that the authority has the empowerment to then set out and accomplish.

*Fourth*, in setting up an authority, and in the case of a special district it's specific geographic borders, is extremely important to have a full understanding of the economic geography of the region with which the development will take place, and the municipalities with which the development will derive its revenue streams. This make-up can have far reaching implications for the success of the development, and in many cases of regional economic development implications. To appreciate the importance of this situation one can look at the action taken by California governor Jerry Brown and his work to effectively eliminate redevelopment agencies in the State of California. Through employing TIF districts within central cities for the purposes of financing redevelopment, central cities, like what was done in San Diego, created small powerful development arms which received tax revenue flows that were above and beyond what was needed for debt service that were kept separate from General Fund revenues. The state fearing the increasing power of the TIF jurisdictions repealed one of the most useful, and arguably successful, economic development tools that it had employed. To ensure that this type of situation does not occur, but still allowing for the utilization of TIF's as a tool for economic development, authorities should be placed on limits for revenue they can

receive. Any revenues above and beyond what are needed for debt service, and reasonable administrative costs, should be returned to the municipalities with which that revenue stream was derived from. What limits these organizations from them simply issuing debt to continue to allow them to capture further future revenue streams? – targeted debt limits that are tied directly to the project tasked at hand to develop.

Overall usage of authorities and special districts should serve targeted and limited in scope, economic development purposes. An organizational structure which allows an authority to develop beyond its intended development purpose only will put further fiscal strain on the host governmental units. Management structures should be put in place to allow for the authority to operate its maintenance obligations following the retirement of its debt service – otherwise the authority should dissolve following the resolution if fears of strengthening entities outside the jurisdiction of the general fund of governments exist.



## Chapter 5 – Concluding Remarks

Public and community leaders remain interested in linking sports venues to urban revitalization, city identification or image-building activities, and overall economic strategies. These activities are not limited to large cities. Recently, Lansing, Michigan, for example, announced plans to enhance a minor league ballpark that will include a number of residential properties built alongside the facility that will provide residents views of the action on the field. Community leaders want to create a “Wrigley Field and Wrigleyville environment” that is capable of enhancing Lansing’s image as a city that is more than a state capitol ([http://www.mlive.com/lansing-news/index.ssf/2014/03/lansing\\_lugnuts\\_apartments\\_bas.html](http://www.mlive.com/lansing-news/index.ssf/2014/03/lansing_lugnuts_apartments_bas.html)).

Recognizing that public policy agenda continues to include the idea that sports venues should continue to be at the center of revitalization and re-branding efforts it is appropriate for the sport management field to (1) study this phenomenon, (2) inform public decision-makers and leaders of business groups to the best practices to be followed to ensure their goals are achieved, and (3) identify the ways in which projects meet private revenue expectations while also producing benefits taxpayers and a city’s residents expect. As noted in many junctures in this work, it is necessary for the sport management field to recognize the possibility that the interests of citizens or residents could be different from those of elected officials and business leaders. That possibility for conflict requires research that looks at projects and relationships from the perspective of all groups. Successful redevelopment is defined by satisfying to the extent

possible community interests, business interests of the sports' industry, and those of elected and business leaders in a local community. There is sufficient evidence available that the needs of all of these groups can be satisfied or at least enough overlap be found to ensure projects are successful.

There is a long-history of academicians assuming prominent roles in the debate over the value of sports venues and teams to influence regional economies, business elites, public decision-makers, and community leaders. Congressional committees, state legislatures, and numerous municipalities have relied upon those efforts. That legacy began in the 1970s and it is probably accurate to note that Roger Noll and James Quirk were among the first (1974) and they were soon joined by Rosentraub (1978). The 1980s saw the complement of academicians involved in this process of informing public leaders increase as Rodney Fort, Andrew Zimbalist, and Alan Sanderson emerged as leading figures in the field of sports economics linked to public decisions. Today suffice to note that Brad Humphreys and a score of other extraordinary scholars have joined the fray. There is now a strong stream of research (that has included the establishment of new journals and academic associations) that has created an important legacy or tradition that spans the disciplines of economics, political science, urban planning, public administration, and sociology (to name a few) where leading academicians are seeking to inform and advance public policy and the bounds of sport management research focused on sports and economic development. This dissertation is a complement to that tradition.

This dissertation was designed to complement the body of research by joining a new stream of activity that forges a new path in this proud tradition. This addition to an emerging area of research is a result of the second or third phases in the process of informing public and

private (team) decisions. The first round was defined by studies that illustrated that teams and the venues they used had little or no effect on regional economies. A second phase or what could be considered an adjunct to the first was that the team sports industry constituted a small portion of any region's employment base. Sports management scholars found similar results (Chalip 2004) and urge an expanded paradigm to understand that full-scale of the economic (and social) impact of sports. At the same time, as a result of a Brookings Institution 1996 conference on the effect of sports on cities and economies, a new stream of research was also initiated. This new area, given the fractionated nature of local governments and their tax bases (accompanied by reduced levels of intergovernmental financial transfers to local governments) was designed to understand if changing the distribution of regional economic activity could enhance the fiscal returns to individual cities. There is now sufficient evidence to suggest that positive fiscal returns can be produced for cities from the deflection of discretionary spending by regional residents (import and export tourism). The findings by Humphreys, Nelson, and Rosentraub (to name a few) suggest the value of addressing numerous related public policy/sport management issues associated with the decision to use sports to change patterns of regional economic activity. This dissertation focused on three vital issues: (1) the extent to which sports anchored development leads to unacceptable levels of demographic homogeneity and high levels of economic segregation; (2) the ability of sports-anchored development to create sustainable communities relative to maintenance of property values; (3) the role of strategies to advance popular support if referenda are associated with proposal for the building of sports venues; and (4) perhaps most importantly an understanding of the administrative structures required for success in the building of new neighborhoods anchored by a sports venue and involving large private sector investments to realize a city's fiscal and development initiatives.

The first study investigated the spatial voting patterns of registered voters in King County and the preferences for the public provision of a new downtown stadium for the Seattle Seahawks. Several important lessons can be learned from the experiences within King County in the development planning process for the building of sports facilities. This study found that residents of King County exhibited a not in my backyard or “NIMBY” proximity preference to the stadium, but in areas with ease of access within the region there was large support for the facility being built. This was consistent with the literature for stadiums, but counter to findings in other studies Coates and Humphries (2006) which looked at the unique case of the Green Bay Packers and an arena in Houston. These contrasting findings direct future scholarship to develop a deeper understanding on whether or not voters will support public sector investments in sport venue anchored development, the type of activity that interests voters (which sports, concerts, shows etc.), and the frequency of events at venues that are preferred by voters being asked to invest tax money in a partnership with a team owner. It is also clear that preferences change with regard to proximity to the facility to voters and the intended use of the venue and the related real estate uses. Second, the study highlighted the importance of framing the arguments to secure voter support. Paul Allen purchased an option to buy the team but his willingness to keep the team in Seattle was contingent on an acceptable public/private partnership to build a new stadium. The public was also pressured as the existing owner was committed to relocating the team unless Paul Allen (or another individual) purchased the franchise. As a result the referendum was framed as an investment on one person’s terms or face loss of the team. In that milieu voters were not given a range of unpressured choices and had few choices. Future research on voter preferences for subsidies for sports facilities would be wise to investigate what

impacts (if any) did the framing of the facility as part of larger redevelopment scheme have on the outcome of the referendum, and the spatial components of these preferences. For example, in San Diego there was a higher level of support for a public/private partnership even though there was a threat of the team's relocation. What defined the vote in San Diego, however, was a guaranteed level of private support for the renovation of a stagnant neighborhood without any apparent signs of growth. Sport management academicians should develop insights and strategies and to provide forecasting information to both private and public decision makers on the likelihood of outcomes of their electoral initiatives based on development plans and voting models. More contributions like that included in this study are needed to better inform decision-makers involved with the new business of sports and public/private partnerships.

The second study highlighted the outcomes of the building of PETCO Park and the development of adjacent land in downtown San Diego now referred to as the Ballpark District. The groundbreaking partnership between the Padres and San Diego included development guarantees for ancillary real estate development in return for public investment in the building of a new ballpark for the Padres. There were many skeptics fearing the prophesized incremental tax revenues would never be realized and that a gentrified area would be developed that would exclude residential opportunities for a broad segment of San Diego's residents. There was fear that an exclusive enclave within the city would be built to meet the needs or requirements of higher income households. The inspection of both the demographic and economic changes that occurred in the neighborhood following the completion of PETCO Park illustrated that the fears of gentrification have not materialized. Returns on investment for the city became so successful that it (and other redevelopment agencies in California) had their powers revoked because their projects were *too* successful and revenues materialized above and beyond expectations. How

were the returns so easily ensured on the project? The city *required* as part of the deal that the adjacent developable real estate to the ballpark would be done within a 5 year timeline. This commitment for new investment ensured property tax growth which would create the needed tax revenue flows to finance the development. The outcomes and success of the Ballpark District shows us the importance in the planning process to ensure that the above stated fears never materialize. San Diego through land use approvals and contractual agreements for the Ballpark District with the private sector was able to require that an economically integrated neighborhood would be created. The City of New York in their negotiations with the developers for the land adjacent to Citi Field have a contractual agreement and commitments from the private sector for 35 percent of permanent affordable housing units will be part of the neighborhood. With prudent planning and negotiation the public sector can be sure that their goals can be achieved, and realize a return on their investment for these projects.

Sports management academicians have to lead the research into the full effects of public/private real estate development projects that are anchored to sports facilities. As illustrated by the case study of San Diego, a new model for enhancing a city's economic base while also expanding the base of affordable housing may well have been developed. This can be an important tool for city's trying to advance affordable housing opportunities while also ensuring that there is an appropriate mix of households to stabilize its financial base. Planners and policy analysts have been looking for tools to achieve this objective. There is a possibility that a valuable tool exists involving sports venues. This is a very unexpected outcome especially in light of the initial studies that dominated public policy, sport management, and urban planning for decades dealing with the economic effects of sports venues. There is now sufficient data to suggest that what many initially explored had a major flaw. Sports can be a tool for reaching

important economic advantages, and if that finding is sustained by future research then a substantial portion of the existing research needs to be reinterpreted.

The third study focused on the management and administrative structures required to ensure that a sports venue and the related real estate relocate economic activity as intended. Without an appropriate administrative apparatus the goals of the public sector from an investment in a sports venue cannot be realized. The last part of the dissertation took a deeper look into the organizational structures and management practices in cities that have successfully used major sports venue(s) as part of a successful redevelopment strategy. The investigation pointed out the differences in the structure of the authorities that were charged with managing the sports facilities and redevelopment efforts in Indianapolis and Cleveland. The quasi-governmental agencies in these two cities were examined to glean important information on how their structure impacted the implementation of their redevelopment strategies. Following a discussion of these designs for implementing redevelopment in these two cities, the current strategy that is being discussed for a new events center in Detroit was examined, and how its structure will likely impact the speed and way in which the downtown is developed. A key takeaway from this investigation is that it would be wise for practitioners to follow the prescriptive principals laid forth previously in the public administration literature. There are numerous examples of successful authorities and the lessons learned should inform the organizational structures used to ensure that the desired real estate development takes place and that the sports venues fulfill their mission and role in assisting in the deflection of economic activity into a central city. There are management models that have more likelihood of success than others, and there is every possibility that what is being proposed for Detroit will not succeed in achieving what Michigan and Detroit need to assist in the city's revitalization.

I believe the study and practice of sport management needs to make a concerted effort to include in its academic footprint a role at the forefront of public policy and civic discussions. As this dissertation identifies, leadership should include a focus on the relocation of regional economic activity that advances the fiscal interests of central cities. Sport, with its prominence, attracts a continual focus in the media. The discourse regarding sport and the impact it can have on communities and the economy needs to evolve beyond the traditionally bloated economic impact figures – that have gotten so large that even the NFL did not feel comfortable releasing its study for the impact of the Super Bowl on the New York City economy. A more clear understanding of the neighborhood impacts that sports teams, their facilities, and the community benefits that they can create is where the discipline can inform leaders in their decision making process, and illustrate that sport management can continue to be a field in the forefront of discussion. As Mills noted in the 1990s, it is time for policy analysts to concentrate on the locational effects of sports within regional economists and move away from long-honed studies of marginal or non-existent macro-regional effects.

This dissertation took a deeper look into the spatial applications of the business and governance of sport with regards to voter referenda, urban redevelopment and neighborhood change, and the structure, organization, and management of special district or authorities. Directions for future research correspond to each of the three studies. The first study leads itself first to an extension of the model to the entire State. Next future research should apply this model of analysis to other elections, ultimately leading to a comparison of outcomes across elections. The second study lends itself to the future tracking of the ballpark district in San Diego. A similar analysis should be done for other sports anchored redevelopment projects (e.g. Columbus, OH, Los Angeles, CA, Glendale, AZ, Denver, CO, Pittsburgh, PA), ultimately leading to a



comparison of outcomes across these developments which will allow policy makers to discern important differences in plans and structures that impacted outcomes. Utilizing the theory's laid forth in Public Administration by Ostrom, Tiebout, Warren (1961) the third study through its analysis of the special districts in Cleveland and Indianapolis established a framework for analysis that should be extended to other special districts outside of the Midwest in the financing and development of sports facilities.

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